

MINUTES

**North Dakota Public Employees Retirement System
Thursday, January 20, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo**

Members Present:

Mr. David Gunkel
Mr. Howard Sage
Mr. Ron Leingang
Ms. Arvy Smith

**Via Video Conference:
Fargo**

Chairman Jon Strinden
Ms. Rosey Sand

Others Present:

Mr. Scott Miller, Attorney General's Office
Mr. Sparb Collins, Executive Director NDPERS
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Cheryle Masset-Martz, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Jamie Kinsella, NDPERS
Ms. Shelly Stuber, NDPERS
Ms. Diane Heck, NDPERS
Ms. Rhonda Peterson, BCBS
Mr. Larry Brooks, BCBS – Fargo
Mr. Howard Snortland, AFPE
Mr. Weldee Baetsch, Former Board Trustee
Ms. Tami Wahl, AFPE/INDSEA
Ms. Barb Aasen, Eide Bailly
Mr. Bill Robinson, GBS (Via Video Conference)

Chairman Strinden called the meeting to order at 8:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the NDPERS Board minutes for December 16, 2004.

Mr. Gunkel moved approval of the December 16, 2004, NDPERS Board minutes. Mr. Leingang seconds.

Audit Report (Informational)

Ms. Barb Aasen, from Eide Bailly, appeared before the board and provided an overview of the audit for the year ending June 30, 2004.

Legislation (Informational)

Ms. Allen indicated that on the PERS web site you will find a copy of all the PERS legislation, testimony, cross reference matrix and a bill tracking report that will be updated weekly.

Ms. Allen indicated that hearings had already been scheduled for the PERS appropriations bill (January 13), the OASIS bill (January 7) and the Retiree Health Credit bill (January 14). The OASIS bill got a favorable recommendation. Our appropriations bill has been assigned to the new division on Government Performance of the House Appropriations Committee. Mr. Collins had also given several presentations to the appropriations committees (January 5 & 6) and most all of the questions were related to the health plan.

August 11, 2004 Audit Committee Minutes (Informational)

Ms. Allen indicated that the minutes were included in the board materials and were informational.

Adverse Selection (Board Action Requested)

Ms. Allen indicated that at the last board meeting it was decided to modify the last sentence to limit the amount that can be offered in cash for not participating to about 25% to 33% of the premium. Discussion followed on the first sentence. It was noted that in recent years the Board had added additional provisions relating to adverse selection that require the group to have 75% of its members participating and that they must pay at least 50% of the single premium. The Board requested staff to work with GBS to identify options. Ms. Allen indicated that three options were identified. These options were include in the board materials.

Mr. Leingang moved approval of staffs' recommendation to *Eliminate consistency requirement relating to premiums*. Also to have staff submit to the board a plan to conduct annual audits. Mr. Sage Seconds.

Ayes: Leingang, Gunkel, Sage, Smith, and Chairman Strinden.

Nays: Sand

Absent: Tabor

PASSED

Life Bid (Board Action Requested)

Mr. Bill Robinson, from Gallagher Benefits Services (GBS), appeared before the board via video conference. Mr. Robinson reviewed with the Board the Group Life Insurance Request for Proposal executive summary. The summary was included in the board materials.

Discussion followed on the cross-subsidizing of premium. The board decided to have GBS request clarification from the nine carriers on the rates with and without subsidizing premium.

BCBS Member Service Survey and EPO Survey (Informational)

Ms. Rhonda Peterson, from BCBS, appeared before the board to review the results of the member service and EPO survey. The surveys were included in the board materials.

Surplus/Affordability Update (Informational)

Ms. Allen indicated that the latest Surplus/Affordability report was included in the board materials.

National Guard (Informational)

Ms. Allen indicated that Segal reviewed the 2004 actuarial evaluation information on the National Guard Retirement Plan last fall. At that time the board discussed the need to review the employer contribution rate. Pursuant to statute the board is responsible to set this rate as stated in 54-52-06.2.

Staff had asked Segal to review this and provide the board with their thoughts. Included in the board materials was their response.

Ms. Allen indicated that the Guard would be invited to share their thoughts at the February meeting.

Small Benefit Distributions (Board Action Requested)

Ms. Allen indicated that the final EGTRRA regulations changed the provisions with regard to small benefit distributions. The new regulations, effective March 28, 2005, state that small benefit cash out amounts of \$1,000 to \$5,000, where distribution is automatic rather than elective, are required to be rolled over to an IRA unless the participant affirmatively elects otherwise. Both our Defined Contribution Plan and the Deferred Compensation plan documents contain provisions with regard to these distributions.

Ms. Allen indicated that based on discussions with Segal and Scott Miller several options have been identified. Those options were included in the board material.

Mr. Gunkel moved approval of staffs' recommendation as follows:

- **Defined Contribution Plan: Staff will change communication materials to allow for automatic cash outs of less than \$1,000 and will include an amendment to the statute in its proposals for the 2007 session.**
- **Deferred Compensation Plan: To amend this section to specify that a small benefit distribution can only be initiated upon the participant's request.**

Ms. Sand seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Smith, and Chairman Strinden.

Nays:

Absent: Tabor

PASSED

Rollover Contributions

Ms. Allen indicated that at the December meeting, the Board moved to investigate changing the deferred comp plan provisions to allow rollover contributions from other eligible retirement plans. Staff was directed to have Segal draft a plan amendment to send to our providers to seek comments.

Staff discussed this proposed change with Mr. Doug Davis at Fidelity. As Fidelity is already providing this service for its other clients, this change represents no additional administrative issues. They have already submitted an amendment to Schedule A of our recordkeeping agreement to accept rollovers from the following asset classifications:

Rollover 401(a)

Rollover 403(b)

Rollover IRA

This change can be implemented for the Companion Plan upon execution of the amendment. Staff is requesting the Board's direction on whether to proceed with the amendment for the Companion Plan prior to seeking comment from our other investment providers.

Mr. Sage moved approval for staff to proceed with the amendment for the companion plan. Mr. Gunkel seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Smith, and Chairman Strinden.

Nays:

Absent: Tabor

PASSED

Administrative Procedures (Board Action Requested)

Ms. Allen indicated that staff is proposing two administrative changes for the 457 Deferred Compensation Plan. The two changes include the current procedures to authorize new agents to provide plan services and an enrollment option to encourage participation in the Portability Enhancement Provision (PEP).

Provider Enrollment

Section II.A of the Provider Administrative Agreement states:

All new sales representatives must complete an initial review of the Deferred Compensation Program and be certified by the Retirement Board before the sales representative may enroll or recruit eligible participants.

A provider representative requesting authorization to provide services must satisfy the following requirements:

- (1) Must be an authorized representative of one of the approved provider companies.
- (2) Must be licensed with the North Dakota State Securities Commissioner for the sale of registered or unregistered securities or the North Dakota State Insurance Commissioner for the sale of insurance contracts or policies or both.
- (3) Must be fully trained to explain various investment options available through the provider, and be able to explain provisions of the deferred compensation program as is found under Section 457 of the Internal Revenue Code.
- (4) Must comply with the provisions of North Dakota Administrative Code 71-04-06.

To be added to our authorized list of representatives, the agent is required to send PERS a letter acknowledging that he/she understands and meets the above requirements.

Staff is suggesting the Board consider revising this policy to require authorization from the provider company before new agents are eligible to provide services for our plan. This recommendation is based on the occurrences reported early last year wherein unauthorized distributions were made under the hardship provisions of the deferred compensation plan. The companies in violation were instructed to reinstate the members' accounts and complied with the Boards directive; however, because our current procedures to authorize new agents do not include any approval from the provider company, an argument could be made that since PERS adds the agents to the list, we are at risk for the actions of these individuals. Staff proposes that

we change our policy to specify that “no agents will be added to the authorized list unless approved by the designated provider company representative.” We are seeking the board's direction on whether or not to add this provision to the administrative agreement. This will also require us to revise our rules under section 71-04-06.

PEP Participation

Currently, members may participate in PEP by enrolling in a 457 deferred compensation plan approved by the Board. This participation adds cash value to the member account, in the event the employee leaves North Dakota public service, by allowing them to vest in a portion of the employer contribution which is subsequently added to the member account balance. This program has been in effect since January 1, 2000. At the time of implementation, the focus was on encouraging current employees to consider enrolling in the deferred compensation plan to take advantage of the new PEP program. Numerous meetings were held throughout the state to explain the program and its benefits. Participation in the deferred compensation program increased as a result of these efforts. Following the initial introduction, several “Agency Intensive PEP” informational meetings were targeted to specific state agencies. However, this program was discontinued due to poor employee attendance. Included in the board materials was documentation that indicated enrollments steadily declining since 2000.

As part of our benefit planning for the upcoming biennium, staff presented to the PERS Employee Benefits Committee the concept of implementing an automatic enrollment feature in conjunction with the deferred compensation companion plan. Neither the committee nor the Board supported this concept. Therefore, staff has developed an alternative proposal to raise PEP awareness and participation. Rather than automatic enrollment in the deferred comp plan, all new employees would be required to waive their rights if they do not wish to participate in PEP. This could be implemented on a prospective basis for all new eligible employees. If they elect not to waive their rights to PEP, there would be a simplified application form that would enroll them in the Fidelity Freedom Fund (default option) at the \$25.00 minimum monthly contribution amount or they could select another provider company of their choice using our regular enrollment procedures. The employee would have the option to elect out of the default option at any time as well as retain all other rights allowed under the 457 regulations. If the employee waives rights to PEP upon employment no enrollment would occur; however, this would not prohibit them from participating at any time in the future.

Staff discussed this concept with The Segal Company. They supported the idea as they felt it is always a good policy to have individuals waive rights to a benefit they are forfeiting. Staff also contacted Fidelity about administering enrollment based on this concept. They have no issues with this approach and are willing to accommodate enrollment in the default option.

To move forward with implementation of this policy, it will be necessary for staff to develop the informational materials, required forms, amendments to the Companion Plan Document, Summary Plan Description, and Fidelity Administrative Agreement (if necessary), and payroll administrative procedures. We are recommending a July 1, 2005 effective date. We would anticipate introducing the concept at our upcoming Payroll Conference scheduled in early June of 2005.

Ms. Allen indicated that staffs recommendation is to move forward with the proposed procedures to change the approval process for new provider representatives. Staff also supports the development of a policy that requires employees to make an election if they wish to waive their rights to PEP and to provide a simplified process to enroll them in the deferred compensation companion plan if they elect not to waive their rights.

Ms. Sand moved approval of staffs' recommendation to move forward with the procedures to change the approval process for new provider representatives. Also develop a policy that requires employees to make an election if they wish to waive their rights to PEP and to provide a simplified process to enroll them in the deferred compensation companion plan if they elect not to waive their rights. Mr. Gunkel seconds.

Ayes: Leingang, Gunkel, Sand, and Chairman Strinden.

Nays: Sage, and Smith

Absent: Tabor

PASSED

Financial Hardship Appeal #2005-001DC (Board Action Requested)

Ms. Allen indicated that the participant is requesting a hardship withdrawal in order to satisfy the provisions of a divorce judgment. The participant has paid a portion of this amount and is requesting the withdrawal to make up the balance. The application, income and expense statement, and a copy of the judgment were included in the board materials.

Discussion followed.

Mr. Sage moved to deny the hardship withdrawal. Ms. Sand seconds.

Ayes: Leingang, Sand, Sage, Smith, and Chairman Strinden.

Nays: Gunkel

Absent: Tabor

PASSED

Rx Network (Board Action Requested)

Mr. Collins indicated that since last summer the Board has investigated the possibility of changing the Rx network. At the August 30th meeting, BCBS provided the Board with information on an alternative Rx network, Prime Therapeutics Network. It was noted that Prime Therapeutics Network is presently the BCBS pharmacy benefits manager (PBM). The information also indicated that this network is lower cost since the reimbursement to pharmacists is lower than the present Rx Dakota BCBS network. The estimated savings by changing networks is about \$1.75 million per year.

At the September meeting the Board heard from the North Dakota Pharmacy Association. The Pharmacy Association noted that such a change would be detrimental to access in North Dakota since it would affect the viability of pharmacies and that the reason higher pharmacy reimbursement is needed in North Dakota is because the volume is not as high as in urban markets. The Pharmacy Association also noted that those pharmacies in the Prime network joined only because it represented a small portion of their business and that if the Prime network grew to represent 15-20% of its business, they would drop the network.

At the November 18th meeting the Pharmacy Association presented to the board a proposal to contract with a new network that they had selected. They felt the advantage of this new network is that they would pass through 97% of all rebates and discounts and they would not use a "spread" when adjudicating claims. Finally, they would provide a designated effort for generic conversion.

Mr. Collins indicated that subsequent to the November meeting PERS staff followed up with Prime Therapeutics and asked them: 1) how much of the rebate they give back to us and 2) if they use a "spread" in adjudicating claims. Their response was included in the board materials.

Staff also asked BCBS if they would consider allowing us to use a different PBM under the fully insured arrangement. They referred us to their answer to question #22 in the proposal they had submitted.

Staff also looked at the possibility of increasing our generic utilization. Presently our generic use rate is 45.8% and our brand rate is 54.2%. However if you break this down further we find that 48.6% is brand use without a generic alternative, 5.6% is brand use with a generic alternative and 45.9% is generic utilization. Consequently, about 89% of our people use a generic when it is available.

Staff also asked Prime for information on the number of providers contracted in their network. This was included in the board materials. They noted that all but 6 Dakota Rx pharmacies participate in the network. According to our research about 1% of our claims go to these 6 pharmacies. This would require our members (332) who use those pharmacies to use the out of network procedure, our new mail order option or a new pharmacy.

Staff also asked BCBS to explain what happens to our members if they go to a nonparticipating pharmacy. BCBS indicated if a member receives prescription medications or drugs from a nonparticipating pharmacy, the member is responsible for payment of the prescription order or refill in full at the time it is dispensed and must submit appropriate reimbursement information to BCBSND. Payment for covered prescription medications or drugs will be sent to the subscriber. Any charges in excess of the allowed charge are the subscriber's responsibility.

Mr. Collins indicated that in recognition of the above staff would offer the following recommendations:

- That while there are public policy considerations to this change, we have been assigned the duty to act in the interest of our members. Due to the large savings, this could help to reduce our members' cost so we should consider this change.
- That we should not move too quickly in making any change since we are not certain that the network providers will continue their participation and a smaller network could reduce the benefit, increase member costs and increase member inconvenience.
- Given the above, staff would recommend the Board adopt a motion indicating its intent to change to the Prime Network at the beginning of the next plan year which would be January of 2006. However, before transferring BCBS would be asked to report to the board in October of 2005 on the network and a proposed transition plan. Based upon the information presented at that time, the Board will make a final decision on whether or not to transfer.
- Taking the above action will provide notice to all, give all parties an opportunity to adjust, allow an opportunity for other information to come to the board and give us a final opportunity to review any new considerations that may arise as a result of this notice before finalizing our decision to move to the new network.

Discussion Followed. The Board indicated that it would like to get together with not only Prime Therapeutics but also the Pharmacy Association in the fall. Also it was felt that instead of October it would be better to get together in September.

Concerns were also expressed about the effect of any transition on the members.

Mr. Gunkel moved approval of staffs' recommendation with the change in meeting in September and including the Pharmacy Association. Ms. Sand seconds.

Ayes: Leingang, Gunkel, Sand, and Chairman Strinden.

Nays: Sage and Smith

Absent: Tabor
PASSED

Chairman Strinden called for any additional items.

Mr. Sage indicated the National Conference on Public Employees Retirement System (NCPERS) will be held in May of 2005.

Mr. Sage moved to approve up to 2 board members to attend the conference. Ms. Sand seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Smith and Chairman Strinden.

Nays:

Absent: Tabor

PASSED

Chairman Strinden called for any additional items, hearing none the meeting adjourned at 11:35 AM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*

MINUTES

**North Dakota Public Employees Retirement System
Thursday, February 17, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo**

Members Present:

Mr. David Gunkel
Mr. Howard Sage
Mr. Ron Leingang
Ms. Arvy Smith
Ms. Sandi Tabor

**Via Video Conference:
Fargo**

Ms. Rosey Sand

Others Present:

Mr. Scott Miller, Attorney General's Office
Mr. Sparb Collins, Executive Director NDPERS
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Cheryle Masset-Martz, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Diane Heck, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Fricke, NDPERS
Mr. Larry Brooks, BCBS – Fargo
Mr. Howard Snortland, AFPE
Mr. Weldee Baetsch, Former Board Trustee
Ms. Tami Wahl, AFPE/INDSEA
Mr. David Peske, ND Medical Association
Ms. Cindy Pazdernik, Adjutant General
Ms. Holly Gaugler, Adjutant General
Mr. John Lardinois
Mr. Bill Robinson, GBS (Via Telephone Conference)
Mr. Bob Stroup, BCBS (Via Video Conference)
Mr. Don Schotts, BCBS (Via Video Conference)
Mr. Steve Webster, BCBS (Via Video Conference)

In Chairman Strinden's absents Mr. Howard Sage was acting Chairman. Chairman Sage called the meeting to order at 8:35 AM.

Minutes

Chairman Sage called for any questions or comments regarding the NDPERS Board minutes for January 20, 2005.

Mr. Leingang indicated that the action was missing from the "Adverse Selection" on page 2. The change was noted.

Mr. Leingang approved the January 20, 2005, NDPERS Board minutes with change. Mr. Gunkel seconds.

National Guard (Board Action Requested)

Ms. Knudsen indicated that at the last board meeting the National Guard Retirement plan and the employer contribution was discussed. Ms. Cindy Pazdernik and Ms. Holly Gaugler from the National Guard were present at this meeting to provide their perspective to the board concerning the employer contribution rate. The National Guard supported the lower employer contribution.

Mr. Leingang made motion for the employer contribution of 6.5%. Ms. Tabor seconds.

Ayes: Leingang, Gunkel, Sand, Tabor, Smith, and Chairman Sage.

Nays:

Absent: Strinden

PASSED

Ms. Sand moved approval of an October 1, 2005 effective date for a 5 year period with an annual review. Ms. Tabor seconds.

Ayes: Leingang, Gunkel, Sand, Tabor, Smith, and Chairman Sage.

Nays:

Absent: Strinden

PASSED

Purchase of Sick Leave (Board Action Requested)

Ms. Fricke indicated that at the December meeting, the Board requested staff review options 2 or 3 for development to determine if the sick leave conversion program could be extended to allow individuals to pay on a pre-tax basis. These options were included in the board materials.

Ms. Fricke indicated that staff is proposing changing the way PERS handles sick leave conversions to allow members an option. If they want to make payment using after-tax dollars, the current procedures will remain. However, if they would like to pay for their unused sick leave using funds from a pretax source, the 457 plan, the process for verifying their unused sick leave would begin 60 days prior to their termination. The individual would be required to sign an agreement indicating their intent. Once the number of hours and projected final average salary was verified as of this earlier date, PERS would calculate the cost, and send the paperwork and necessary forms to the member to initiate the rollover/transfer. The member would still be responsible for ensuring that the rollover/transfer was received by the necessary timeframe so as not to delay the first retirement check. Also, the member would be required to pay for the retiree health credit portion with a personal check by the designated time. PERS would deposit the funds into the member's account. However, the number of months converted would not be added to the member's record until the final number of hours and final average salary as of the date of termination is verified by the employer. This is required based on the language in the law for the conversion of sick leave.

If it is determined that the final sick leave hours available for conversion are less than anticipated 60 days prior to termination, then ONLY the number of hours available will be added to the member's record and no refund will be given back to the member. Funds for the overpayment can not be returned to the member or the 457 provider due to their pre-tax nature. A statement of understanding will be required on the member's election regarding this provision.

A change to NDAC 71-02-03-06, which provides rules regarding the administration of sick leave conversion, would be necessary to accommodate this change in policy.

Mr. Gunkel moved approval of staffs' recommendation and to allow all members a choice of pre-tax or after-tax. Mrs. Smith seconds.

Ayes: Leingang, Gunkel, Sand, Tabor, Smith, and Chairman Sage.

Nays:

Absent: Strinden

PASSED

On-Line Services Update (Informational)

Ms. Dschaak indicated that since the launch of NDPERS on-line services, 1,399 members have registered. Of the 1,399 registrations, 1,268 were successful and 131 non-successful. The 131 incomplete registrations were prior to the upgrade to the on-line services that simplified the registration process. Staff is in the process of contacting the 131 members to inform them of the new registration process.

Staff has published three articles in the active PERspectives Newsletter and two articles in the retiree newsletter. Staff will be arranging to mail an NDPERS On-line Services brochure to member's homes. This brochure was included in the board materials.

One of the features of on-line services is the member's "Annual Statement of Accounts". Starting with the "2004-2005 Annual Statement of Accounts", it is the goal to retain the current statement as well as the past year. Due to storage issues, only two years retention is possible at present. As more membership registers for access to on-line services, a future consideration is to stop mailing annual statements to member's home addresses.

New Governmental Accounting (Informational)

Mr. Bill Robinson, from Gallagher Benefits Services (GBS), appeared before the board via telephone conference. Mr. Robinson provided the board with an overview of the new GASB requirements and the implications for PERS.

Life Bid (Board Action Requested)

Mr. Collins indicated that since the last board meeting, GBS has followed up with the life bidders to get the information requested. Mr. Bill Robinson appeared before the board via telephone conference to review that information. The summary was included in the board materials.

Mr. Gunkel made motion to renew the life contract with ING. Mr. Leingang seconds.

Discussion followed.

Mr. Gunkel withdrew his motion and asked staff to further analyze the bids for the March meeting. Mr. Leingang withdrew his motion.

Working Families Tax Relief Act (Informational)

Ms. Allen indicated that the Working Families Tax Relief Act enacted in November, 2004 revised the definition of "dependent" under the Internal Revenue Code. The intent of Congress was to

create a uniform definition of the term “dependent” for various tax purposes, including personal exemptions, certain tax credits, and head of household filing status. However, the changes also created some inconsistencies in the definition as applicable to employee benefit plans which may require additional technical corrections. Included in the board materials is an overview of the new regulations provided by The Segal Company which outlines these areas of concern.

To determine the impact of this act on our group insurance and FlexComp plans, staff requested assistance from Segal and Gallagher Benefit Services.

Segal indicated that our definition of “Qualifying Individual” in the FlexComp plan document is general enough to include the new requirements in the law as long as the plan is administered according to the new definition provided in the act. An amendment will not be necessary. The plan will be administered according to the new definition with regard to claims eligibility and reimbursement. Ms. Allen indicated that the plan program guide and the applicable forms have been updated to reflect the new definition.

Staff contacted Gallagher Benefit Services (GBS) to review this change in conjunction with our health, dental, and vision plans. According to GBS, it will be necessary for us to change our definition to specify the difference between a “qualifying dependent” and a “qualifying relative” in order to retain the tax favored status of the benefit.

Staff has forwarded this information to BCBS. Mr. Bob Stroup, Attorney for BCBS appeared before the board to answer any questions. BCBS indicated they did not are that the health definition needed to be changed. The Board directed staff to follow up on this issue and report back its findings.

Minimum Participation & Contribution Requirements (Informational)

Ms. Allen indicated that BCBS has completed its annual compliance review of participating employers for the 2004 calendar year. All participating groups responded and there were no employers found to be out of compliance.

Annual Health Plan Report (Informational)

Mr. Larry Brooks, from BCBS, appeared before the board to provide an overview of the Annual Health Plan Report. This report was included in the board materials. Mr. Don Schotts appeared before the board to provide an overview of the Health care drivers. Mr. Steve Webster appeared before the board to review NDPERS EPO Network Performance for year end June 30, 2004. This review was included in the board materials. Mr. Webster also request of the board to suspend the EPO Request for Process. BCBS will go through the RFP process and put criteria into the agreement to cover delivered system and the requirements of the system.

Ms. Tabor moved approval to suspend the RFP process. Ms. Smith seconds.

Ayes: Leingang, Gunkel, Tabor, Smith, and Chairman Sage.

Nays:

Absent: Strinden, Sand

PASSED

Smoking Cessation Program Update (Informational)

Ms. Allen indicated that at the December meeting, the Board approved changing the reimbursement for the smoking cessation program to 100% not to exceed \$700 in total eligible expenses for each member that enrolled by the end of February, 2005. On December 29, 2004, PERS sent an e-mail attachment to all agency contacts for distribution to their employees announcing the enhanced cessation benefit and enrollment details. On January 12th BCBS sent

a notice to employees' home addresses carrying the same message. A copy of these notices was included in the board materials.

In addition, PERS staff met with representatives of St. Alexius Respiratory Therapy Center and the State Health Department to discuss promotion strategies. PERS in conjunction with St. Alexius conducted a two-day cessation orientation at the Capitol on January 25 and 26. PERS staff was present at various locations throughout the Capitol on the 25th to distribute notification cards that contained information about the new cessation benefit and the times and location of the informational meetings scheduled for the next day. A free sample of nicotine replacement gum was also provided. The orientation sessions on the 26th were staffed by a PERS and a St. Alexius representative. Approximately 75 cards were distributed and three individuals attended the orientation sessions. The card was included in the board materials.

Surplus/Affordability Update (Informational)

Mr. Reinhardt indicated that the latest Surplus/Affordability report was included in the board materials.

Financial Hardship #2005-00DC (Board Action Requested)

Ms. Allen indicated that the participant's spouse was recently admitted to a nursing home due to her deteriorating health. Upon advice from his legal counsel, the participant is requesting a full withdrawal of his account in order to meet the requirements to be eligible for Medicaid assistance. Liquidating this account will contribute to meeting the Medicaid asset test and will also relieve the burden of outstanding medical bills associated with the spouse's medical condition. A copy of the attorney's recommendations along with supporting medical information and expenses related to this emergency request were included in the board's materials as confidential. The Board reviewed the application and discussed the request.

Mr. Gunkel made motion to deny the hardship withdrawal. Ms. Tabor seconds.

Ayes: Gunkel, Tabor, and Chairman Sage.

Nays: Leingang, Smith

Absent: Strinden, Sand

PASSED

Legislation Update (Informational)

Mr. Collins indicated that in the board materials were the bills PERS is following relating to the PERS benefit programs.

2004 Annual Report (Informational)

Included in the board materials was the 2004 comprehensive annual financial report.

Consultant Fees (Informational)

Included in the board materials were the consulting, investment and administrative fees paid during the quarter ending December 31, 2004.

Fidelity Conference (Board Action Requested)

Mr. Gunkel made motion to approve one Board member to attend this conference. Ms. Smith seconds.

Ayes: Leingang, Gunkel, Tabor, Smith, and Chairman Sage.

Nays:

Absent: Strinden, Sand

PASSED

Investment Subcommittee Report (Board Action Requested)

Mr. Gunkel provided the board with a brief overview of the Investment Subcommittee meeting.

Mr. Gunkel made a motion to allow the Investment Subcommittee to have an open ended authorization for the investment committee to approve funds through the open window that are approved by Fidelity. Mr. Leingang seconds.

Ayes: Leingang, Gunkel, Smith, and Chairman Sage.

Nays:

Absent: Strinden, Sand, Tabor

PASSED

Chairman Sage called for any additional items, hearing none the meeting adjourned at 12:00 PM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*

Minutes
North Dakota Public Employees Retirement System
Monday, February 28, 2005
NDPERS Office Conference Room, 400 E Broadway Ste 505, Bismarck
8:00 A.M.

Member Present: Mr. Ron Leingang

Members Present
Via Conference Call: Mr. David Gunkel
Mr. Howard Sage
Ms. Sandi Tabor
Ms. Rosey Sand

Others Present: Mr. Sparb Collins, Executive Director NDPERS
Ms. Kim Humann, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS

Others Present
Via Conference Call: Mr. Scott Miller, Attorney General's Office
Mr. Larry Brooks, BCBSND
Mr. Brad Bartle, BCBSND

The meeting was called to order at 8:00 a.m.

Health Plan

Mr. Collins indicated that BCBS had completed the health insurance plan rate re-projection Analysis and advised us that the state rate can be reduced by \$5.20 from \$559.15 to \$553.95. Mr. Collins indicated he had received requests from the Legislative Assembly regarding the new health rates and that he would send a letter to the Chairpersons of the Appropriations Committee's advising them that the re-projection analysis had been completed by BCBS and the results.

Dependent Definition

Mr. Collins conveyed staff is currently working on this issue and it appears that nothing may need to be done on this.

Legislation

Mr. Collins indicated that the hearings will be held this week.

Acting Chairman Sage called for any other business or comments. Hearing none, the meeting was adjourned at 8:15 a.m.

Prepared by,

Kim Humann
Administrative Assistant

MINUTES

**North Dakota Public Employees Retirement System
Thursday, March 17, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo**

Members Present:

Mr. David Gunkel
Mr. Howard Sage
Mr. Ron Leingang
Ms. Arvy Smith
Ms. Sandi Tabor

**Via Video Conference:
Fargo**

Mr. Jon Strinden
Ms. Rosey Sand

Others Present:

Mr. Scott Miller, Attorney General's Office
Mr. Sparb Collins, Executive Director NDPERS
Ms. Denise Curfman, NDPERS

Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Cheryle Masset-Martz, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Onalle Sillheim, BCBS
Mr. Larry Brooks, BCBS – Fargo
Mr. Howard Snortland, AFPE
Mr. Weldee Baetsch, Former Board Trustee
Mr. Bill Robinson, GBS (Via Telephone Conference)
Mr. Tracy Stein, DOCR Field Services
Mr. Dan Heidbreder, DOCR Field Services
Dr. Terry Dwelle, ND Health Department

Chairman Strinden called the meeting to order at 8:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the NDPERS Board minutes for February 17, 2005. It was noted that Ms. Tabor was not listed as present. A correction to the minutes have been made adding Ms. Tabor as present.

Mr. Leingang approved the February 17, 2005, NDPERS Board minutes with change. Ms. Tabor seconds.

Employer Bases Wellness Plan (Board Action Requested)

Mr. Collins indicated that during the last several weeks staff has been having some additional discussions with Dr. Dwelle and the Health Department about the proposed employer based wellness program. They have provided some additional thoughts, comments and suggestions relating to the plan that has been adopted and an alternative approach based upon the Healthy North Dakota initiative that has been ongoing over the last several years. Mr. Collins reviewed with the Board the existing plan, identifying the strengths, weaknesses, opportunities and treats based upon discussion with Dr. Dwelle and the Health Department.

Dr. Dwelle appeared before the board to review the modified wellness plan.

Mr. Gunkel moved approval of staffs' recommendation to adopt the modified wellness plan with a pilot program. Ms. Smith seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith, and Chairman Strinden

Nays: None

Absent: None

PASSED

Life Insurance Renewal (Board Action Requested)

Mr. Collins indicated that at the last several meetings GBS has reviewed the life bid and followed up on some additional information requests. Specifically some questions have arisen relating to the basic plan benefits and the retiree coverage. GBS has pointed out that the retiree coverage of \$1,300 @.28 cents is being subsidized by the supplemental coverage and will need to be shown as an accrued liability on the states financial statements beginning in 2006. As a result the board discussed whether or not to continue this policy or change it. Other questions have been discussed relating to whether or not to continue the plan as an experience rated plan or as a pooled plan. Mr. Collins indicates that the following decisions were to be made:

1. Determine whether or not to continue the plan as an experience rated plan or pooled plan.
2. Select the vendor for the life plan.
3. Determine whether or not to change the retiree coverage.

Mr. Collins provided the Board with some background information on the life plan, its membership and the levels of coverage.

Mr. Bill Robinson, from Gallagher Benefits Services (GBS), appeared before the Board via video conference to provide and clarification or answers any questions the Board had.

Mr. Sage made motion to eliminate all subsidies. Ms. Sand seconds.

Ayes: Sand, Sage, Tabor, Smith.

Nays: Leingang, Gunkel, and Chairman Strinden

Absent: None

PASSED

Mr. Leingang made motion for experience rated plan. Mr. Sage seconds.

After discussion Mr. Leingang withdrew his motion as did Mr. Sage.

Discussion followed.

Ms. Sand made motion to accept Prudential's pooled plan. Ms. Tabor seconds.

Ayes: Leingang, Sand, Sage, Tabor, Smith, and Chairman Strinden

Nays: Gunkel

Absent: None

PASSED

Employee Assistance Plan (Board Action Requested)

Mr. Collins indicated that the methodology that PERS has adopted for providing EAP services is called an agency based approach. Pursuant to this method, each agency is the focal point for the decision on which EAP vendor would be the most appropriate for their employees. To implement this approach, the PERS Board establishes through the RFP process a list of qualified vendors. EAP vendors that are able to successfully meet the requirements in the RFP and provide the service at or below the specified price are placed on a list of qualified vendors. Each agency is offered the list and is allowed to select one vendor from that list to provide services for that agency.

Presently PERS has three vendors who are providing services to state agencies in North Dakota. These vendors are:

1. MedCenter One Health Systems
2. St. Alexius / Heartview
3. Village Family Services

In the past the Board has approved a process where existing vendors have been allowed to file a renewal. This renewal will indicate the price (which must be \$1.42 per member per month or less) and an indication that all services offered in the original proposal still apply or specify any deviations. If they continue to be able to meet the minimum requirements then they continue to offer their services.

Mr. Collins indicated that the search for additional vendors would be as follows:

- Place an ad in the major newspapers around the state. This will be done at the end of March and close the process at the end of April.
- Send the RFP to vendors that have expressed an interest.
- Staff will review with the board the renewal bids in May.
- Staff will review new proposals with the board in May.
- Notice would then be sent to agencies allowing them to select a vendor.

Ms. Tabor moved approval of the updated Employee Assistant Program RFP and procedures as stated above.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith, and Chairman Strinden

Nays: None

Absent: None

PASSED

Smoking Cessation Update (Board Action Requested)

Mr. Collins indicated that at the December meeting, the Board approved changing the reimbursement for the smoking cessation program to 100% not to exceed \$700 in total eligible expenses for each member that enrolled by the end of February, 2005. From January 1 through the end of February a total of 44 members have enrolled in the program. The number that participated in 2004 from August when the plan was introduced through December was 38. Total participation since inception is now at 82.

In view of the positive response to the enhanced program, staff is recommending that this special offer be extend through April 30, 2005. BCBS has verified that there is sufficient funding available to support this decision. A total of \$13,101.81 out of the \$250,000 grant has been utilized through February 28, 2005.

Ms. Tabor moved approval of staffs' recommendation. Ms. Smith seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith, and Chairman Strinden

Nays: None

Absent: None

PASSED

2004 BCBS Claims Review (Informational)

Mr. Reinhardt indicated that each year he conducts a claims review to check the accuracy of BCBS claims processing. He noted that this is not a random sample but a select sample of 100 NDPERS claims.

Mr. Reinhardt reviewed his findings with the board. These findings were included in the board materials.

After discussion of the finds the Board requested follow-up with BCBS on several of the findings.

Surplus/Affordability Update (Informational)

Mr. Reinhardt indicated that the latest Surplus/Affordability report was included in the board materials.

FlexComp Annual Enrollment (Informational)

Mr. Collins indicated that annual enrollment for the 2005 FlexComp Plan year was included in the board materials.

457 Companion Plan & 401(a) plan Quarterly Reports (Informational)

Mr. Reinhardt indicated that the fourth quarter 2004 reports were included in the board materials.

Defined Contribution Plan – 2004 Enrollment (Informational)

Mr. Collins indicated that the 2004 enrollment was included in the board materials.

Deferred Compensation Companion Plan Recalculation of Fees (Board Action Requested)

Mr. Collins indicated that Board requested that the proposed annual fee of \$39.00 be reviewed after the transition of the plan from AIG/VALIC to Fidelity.

In February, Fidelity Finance recalculated the pricing for the plan. The average participant account balance has increased about \$3,000; however, the total plan assets are only slightly higher than at the time of the August transition. Therefore, they are not able to offer a fee reduction. Fidelity did indicate that they would be willing to review this again once they have a year's worth of data to analyze and to make projections.

Implementation of HB 1069 – Lump Sum Option (Board Action Requested)

Ms. Dschaak indicated that HB 1069 provides for an actuarially equivalent partial lump sum distribution with a 12-month maximum lump sum distribution.

HB 1069 amends sections 39-03.1-11 and 54-52.7 of the North Dakota Century Code. These sections allow for the board to adopt rules to provide for the receipt of retirement benefits in optional forms. Included in the board materials were the outlines from staff and Segal's recommendations for implementation of the new partial lump sum option (PLSO).

The new PLSO allows members who are retiring to take a partial lump-sum distribution equal to 12 monthly payments determined under the Single Life annuity option. (No variations will be accepted). If they make this election, the member's monthly annuity would be actuarially reduced. Members would still be permitted to choose one of the optional forms of payment for their annuity benefit. In addition, as with all retirees, except disability, the PLSO as well as regular monthly benefits payments will be subtracted from individual minimum guarantee.

Although the amount of the reduction will depend on the retiree's age. Most retirees who elect this option will still receive a monthly annuity equal to about 90% of the amount they would have received had they not elected this option.

If not rolled over to an IRA or other qualified plan, PLSOs are taxed as ordinary income and are subject to automatic 20% withholding. Because a PLSO will increase most members' taxable income significantly in the year it is paid, those members will pay federal income tax on the PLSO at a higher rate than usual. Members younger than 55 who elect a PLSO and do not roll it over are also subject to a 10% penalty tax under the IRS Section 72(t).

Ms. Dschaak indicated that the following is staffs' recommendation for the parameters outlining the PLSO:

1. Limit the option to members retiring on or after their Normal Retirement Date as set by statute.
2. Exclude disability and early retirees, beneficiaries of deceased members, and level social security income option.
3. Exclude multiple PLSO elections-limiting to a once in a life time election and made at initial application for retirement benefits.

If approved the above would be implemented August 1, 2005 providing the passage of HB 1069. These conditions will also be added to NDPERS Administrative Rules during the rulemaking process.

Mr. Gunkel moved approval of staffs' recommendation. Ms. Tabor seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith, and Chairman Strinden

Nays: None

Absent: None

PASSED

Implementation of HB 1266 (Board Action Requested)

Ms. Dschaak indicated that included in the board materials was HB 1266, which relates to returning to employment after retirement under NDPERS defined benefit and defined contribution retirement plans. This bill has an emergency clause; therefore the following are proposed procedures to implement HB 1266.

Under N.D.C.C. 54-52-01(8), a "Governmental unit" means the state of North Dakota, except the highway patrol for members of the retirement plan created under chapter 39-03.1, or a participating political subdivision thereof. Therefore, North Dakota state agencies are considered one employer group and any member retiring with one state agency and becoming reemployed with another state agency would not be eligible for the provisions of HB 1266. The following retired members may be eligible for the provisions of HB 1266:

<u>Past Employer</u>	to	<u>New Employer</u>
State		Political Subdivision
Political Subdivision		State
Political Subdivision		Political Subdivision

Each retired member that becomes reemployed and is eligible to decline future participation in the NDPERS defined benefit/defined contribution plan will be required to complete a "Retirement Plan Membership Waiver".

Ms. Dschaak reviewed several situations and procedures with the Board. These situations and procedures were included in the board materials.

Explanation of HB 1266 provisions will be added to our New Hire Kit and Retirement Kit. A special newsletter will be sent via email to employers notifying them of the passing of HB 1266.

Ms. Tabor moved approval of staffs' recommendation of procedures to implement HB 1266. Ms. Smith seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith, and Chairman Strinden

Nays: None

Absent: None

PASSED

QDRO Issue Regarding a Law Enforcement Participant (Board Action Requested)

Ms. Fricke indicated that a county elected to join the PERS Law Enforcement Plan and offer it to its peace officers. It was noted that when an employer elects to offer the Law Enforcement plan to its employees, the accounts and previous service under the Main System are absorbed into its Law Enforcement account for those that elect to become Law Enforcement participants. As a result of this employer's decision, one individual became eligible to transfer their participation from the Main System Defined Benefit Plan into the Law Enforcement Plan. This individual elected to do so effective January 1, 2005.

This individual happens to have a Qualified Domestic Relations Order (QDRO) on file at PERS that was received by PERS on March 31, 2000. At the time that the order was filed, the member was an active participant in the Main System Defined Benefit Plan. The QDRO was approved as it meets the requirements specified by the PERS Board. The QDRO provides detail regarding the amount of benefits to be provided to the ex-spouse, referred to as the alternate payee. In addition, the QDRO specifies when the payments are to begin to the alternate payee. The election was that the alternate payee is to begin receiving benefits when the participating member qualifies for early retirement. Early retirement under the Main System is age 55. However, under the Law Enforcement Plan, early retirement is defined as age 50.

An issue clearly arises regarding what date PERS should recognize as early retirement for determining when the alternate payee is to begin receiving benefits as a result of the transfer to the Law Enforcement Plan.

Ms. Fricke indicated that staff has discussed the issue with both Mr. Scott Miller (AG Office) and Ms. Melanie Walker (Segal Company). It was determined that there is not a clear legal or technical solution regarding how this should be handled and therefore, the recommendation is that the Board will need to review the issue to provide guidance.

Ms. Fricke reviewed with the Board several options for handling this situation. These options were included in the board materials.

Ms. Tabor made motion to accept option 3. Which provides that the parties should be notified that it is impossible to calculate the portion of a distribution awarded to the alternate payee so that both or either party can petition the Court for reformation. Paragraph J in the QDRO provides this authority. Ms. Sand seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith, and Chairman Strinden

Nays: None

Absent: None

PASSED

Legislative Update (Informational)

Mr. Collins indicated that included in the board materials is the latest status reports for the bills PERS is following relating to PERS benefits. Mr. Collins noted that there is a Pharmacy Bill that would have some implications to PERS being watched. Ms. Tabor requested that Mr. Miller work with Mr. Mullen.

PERS Audit Committee Meeting Minutes (Informational)

Mr. Collins indicated that the Audit Committee Meeting Minutes were included in the board materials.

Appeal 2005-0001R (Board Action Requested)

Chairman Strinden asked for all members of the public to leave the meeting room. The meeting went into Executive Session under NDCC section 44-04-19.1(7), at 10:55 AM to discuss Appeal 2005-0001R.

Members Present:

Mr. David Gunkel
Mr. Howard Sage
Mr. Ron Leingang
Ms. Arvy Smith
Ms. Sandi Tabor

Via Video Conference:

Fargo

Mr. Jon Strinden
Ms. Rosey Sand

Others Present:

Mr. Scott Miller, Attorney General's Office
Mr. Sparb Collins, Executive Director NDPERS
Ms. Denise Curfman, NDPERS

Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS

Executive session moved in to regular meeting at 11:15 AM.

Ms. Sand made motion to allow the member to sign-up for the PERS benefits. Ms. Tabor seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith, and Chairman Strinden

Nays: None

Absent: None

PASSED

Chairman Strinden called for any additional items, hearing none the meeting adjourned at 11:20 AM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*

MINUTES

**North Dakota Public Employees Retirement System
Thursday, April 21, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo**

Members Present:

Mr. David Gunkel
Mr. Howard Sage
Mr. Ron Leingang
Ms. Arvy Smith

**Via Video Conference:
Fargo**

Mr. Jon Strinden
Ms. Rosey Sand

Absent:

Ms. Tabor

Others Present:

Mr. Scott Miller, Attorney General's Office
Mr. Sparb Collins, Executive Director NDPERS
Ms. Denise Curfman, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Cheryle Masset-Martz, NDPERS
Ms. Diane Heck, NDPERS
Ms. Onalle Sillheim, BCBS
Mr. Larry Brooks, BCBS – Fargo
Mr. Howard Snortland, AFPE
Mr. Weldee Baetsch, Former Board Trustee
Ms. Tami Wahl, AFPE/INDSEA
Mr. William Fornia, GRS
Mr. Michael Carter, GRS

Chairman Strinden called the meeting to order at 8:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the NDPERS Board minutes for March 17, 2005.

Mr. Leingang approved the March 17, 2005, NDPERS Board minutes. Mr. Gunkel seconds.

Actuarial Audit (Information)

Mr. Michael Carter and Mr. William Fornia, from Gabriel, Roeder, Smith & Company (GRS), appeared before the board and provided the board with the findings of the actuarial audit they completed on three of the four retirement plans, administered by NDPERS, which the Board requested. GRS noted that the audit went well and they were able to match the Segal results. The report was included in the board materials.

Asset Liability Study (Board Action Requested)

Mr. Collins indicated that the Investment Subcommittee has met several times during the last couple of months to discuss the upcoming asset liability study (ALS). This effort is scheduled to begin after the completion of the actuarial audit and experience study. The ALM was a part of the recent RFP process that was awarded to Segal. Since then SEI has offered to do an ALS at no charge. The Investment Subcommittee is suggesting that SEI do an ALS this fall before having Segal initiate their efforts. The purpose in following this sequencing is that if the product produced by SEI meets all the needs the committee is then suggesting that Segal not precede with the effort and save the \$49,000 in fees.

Mr. Sage moved approval of having SEI conduct the Asset Liability Study. Mr. Gunkel seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Smith, and Chairman Strinden

Nays: None

Absent: Tabor

PASSED

Amended Provider Agreement (Informational)

Ms. Allen indicated that at the January meeting, the Board approved amending the Provider Administrative Agreement regarding the current procedures to authorize new agents to provide plan services and to clarify the administrative requirements for participating deferred comp plan providers to accept rollovers from other eligible plans into 457 accounts. On February 23rd a certified letter along with the approved contract amendments was sent to the provider company contacts with a comment deadline of March 18, 2005. Responses were received from the following five companies: Equitable, Jackson National, Nationwide, Symetra, and VALIC.

All of the above indicated that the proposed agent authorization procedures were acceptable and that their systems have already been enhanced to account for rollovers from other eligible plans. As no other providers responded, it is assumed the amendments are acceptable. Therefore, the agreement will be sent to all provider companies for authorization with a response deadline of May 20, 2005.

Health Rates (Board Action Requested)

Mr. Collins indicated that included in the board materials were the proposed rates for the next biennium. These rates include an allocation of an average of \$24.52 per contract per month reduction in premium to all groups on the plan before July 1, 2005. This is the amount of the estimated gain that is being allocated back to all contracts. In addition the original premium is reduced by 20 cents as a result of PERS reducing its administrative fee. As originally projected the cost of the buy down for the biennium was \$14 million. However BCBS has increased this to \$14,233,566 as a result of a review of the number of contracts. Not included in these rates is the additional 1% for employers that do not participate in the employer based wellness program,

their rates will be 1% higher than the PERS billed rate. The buy down amount is allocated across contracts in the same manner as last session and includes the following:

- For state contracts the \$24.52 is deducted from the required state premium (\$578.46-24.52 = 553.94).
- For political subdivisions the buy down is prorated to the single and family contracts in a manner that produces a level percent increase equal to the state increase.
- For retirees the buy down is allocated so the pre-Medicare rate is consistent with statutory formula off of the PERS billed rate. For the Medicare retiree rates the buy down is allocated to produce a uniform rate increase.
- Wellness programs and disease management are allocated across all contracts (\$3.48).
- Certain rate categories are rounded to an even number to accommodate the Higher Ed payroll procedures
- PERS administration is \$2.80 and allocated across all contracts.
- Rate structure A is for all contracts enrolled prior to July 2005.
- Rate structure B is for all contracts enrolled after June 30, 2005.

Ms. Smith moved approval of the proposed health rates for the next biennium. Ms. Sand seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Smith, and Chairman Strinden

Nays: None

Absent: Tabor

PASSED

Health Plan SPD (Board Action Requested)

Ms. Allen indicated that the copy of the draft SPD for active employees was included in the board materials. Changes are the result of requests by NDPERS and the BCBS benefit rewrites for 2005. Mr. Collins noted the issue of member rebates accounts is to be reviewed by the board at the May meeting. The wording in the SPD assures we will offer the accounts.

Mr. Gunkel moved approval of the draft health SPD. Mr. Leingang seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Smith, and Chairman Strinden

Nays: None

Absent: Tabor

PASSED

Heart of America HMO (Board Action Requested)

Ms. Allen indicated that included in the board materials was the request from Heart of America in Rugby to offer its HMO membership to state employees in its Rugby service area. The term of this renewal is from July 1, 2005 through June 30, 2006. The new rates are included in the materials provided by Heart of America. The premiums increased by approximately 8% for single coverage, 5.7% for SPD coverage, and 4% for family coverage across all three options.

Mr. Gunkel moved approval of the Heart of America contract for the Rugby area. Ms. Smith seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Smith, and Chairman Strinden

Nays: None

Absent: Tabor

PASSED

Life Insurance (Informational)

Mr. Collins indicated that since the last board meeting staff has begun the process to implement the decision of the board to transfer the life insurance from ING to Prudential. The first step was to confirm the rates. Included in the board materials were the final confirmed rates. Staff will be sending notice to the retirees in the next several weeks. Staff has also begun modifying the billing systems to provide a separate rate for the retirees. Secondly staff met with Prudential to confirm that their business system would be compatible with PERS. After reviewing all aspects of the life system, Prudential agreed that they could interface with our business system. Mr. Collins indicated that Mr. Scott Miller reviewed with Prudential some of our legal requirements and discussed with them what requirements they had in order to determine whether or not we could agree to the final contract. All issues were resolved.

Worksite Wellness (Informational)

Mr. Collins indicated that staff has begun the process in implementing the worksite wellness effort. Attached in the board materials were two letters; the first is to all employers seeking their participation in the program, and the second is a letter to the PERS designated contact in each employer group updating them on this effort.

2004 EAP Utilization (Informational)

Mr. Reinhardt reviewed with the board the 2004 EAP Utilization. This report was included in the board materials.

Surplus/Affordability Update (Informational)

Mr. Reinhardt indicated that the latest Surplus/Affordability report was included in the board materials.

Appeal 2005-001D (Board Action Requested)

Chairman Strinden asked for all members of the public to leave the meeting room. The meeting went into Executive Session under NDCC section 44-04-19.1(7), at 10:35 AM.

Chairman Strinden opened the meeting to the public at 11:10 AM.

Mr. Gunkel motioned for denial of appeal 2005-001D. Mr. Sage seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Smith, and Chairman Strinden

Nays: None

Absent: Tabor

PASSED

Appeal 2005-002R (Board Action Requested)

Chairman Strinden asked for all members of the public to leave the meeting room. The meeting went into Executive Session under NDCC section 44-04-19.1(7), at 11:15 AM.

Chairman Strinden opened the meeting to the public at 11:25 AM.

Appeal 2005-002R was withdrawn by appellant.

Appeal 2005-003DC (Board Action Requested)

Chairman Strinden asked for all members of the public to leave the meeting room. The meeting went into Executive Session under NDCC section 44-04-19.1(7), at 11:30 AM.

Chairman Strinden opened the meeting to the public at 11:40 AM.

Ms. Sand motioned to approve appeal 2005-003DC. Mr. Leingang seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Smith, and Chairman Strinden

Nays: None

Absent: Tabor

PASSED

Board Chair Appointment (Informational)

Mr. Collins indicated that the Governors Office a reappointed Mr. Jon Strinden to a new term as the Board Chair effective August 1, 2005 – July 1, 2010.

PERS Work Plan Annual Report and Plan for 2005 (Board Action Requested)

Mr. Collins indicated that included in the board materials were the 2004 and 2005 work plans. The 2004 work plan provides an update on all efforts. Mr. Collins also indicated that the 2005 Business Plan provides in addition to the regular program work PERS will be working on some of the following special efforts:

- Implementing the new Employer based wellness program
- Working on the actuarial audit and experience study
- Doing an Asset Liability Study
- Developing new work flow procedures for the group insurance area
- Enhancing our electronic reporting by employers
- Review the feasibility of electronic signatures for retirement, group insurance and flex
- Implementing an employee wellness effort pilot program with UND
- Conduct a wellness plan pilot with selected agencies
- Implementing a disease management program as part of the health plan
- Transition life vendor
- Conduct a study of present data management system
- Review the feasibility of sponsoring an annual summer retiree meeting in Medora
- Conduct our biennial payroll conference
- Do an RFP process for the EAP and agency selection procedure
- Updating our PC hardware
- Finalize our considerations on transferring Rx networks
- Implement a mail order option in the health plan
- Review our LTC program
- Implement legislative changes

Mr. Leingang moved approval of the 2005 Business Plan. Ms. Smith seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Smith, and Chairman Strinden

Nays: None

Absent: Tabor

PASSED

Legislative Update (Informational)

Mr. Collins indicated that included in the board materials is the latest status reports for the bills PERS is following relating to PERS benefits.

EBRI Research Paper (Informational)

Mr. Collins indicated that included in the board materials is the Employee Benefits Research Institute's April 2005 edition of EBRI Notes, which features the study, "Benefit Cost Comparisons between State and Local Governments and Private Sector Employers."

Review

Chairman Strinden indicated that the executive director's review is due and is looking for a committee to work on the review. Mr. Gunkel and Ms. Smith volunteered for the committee.

NASRA Annual Meeting (Board Action Requested)

Mr. Collins indicated that the annual meeting is in Alaska this year. Because of its location the Board needs to approve or deny my attendance to this conference.

Mr. Gunkel moved approval for Mr. Collins to attend the conference in Alaska. Ms. Smith seconds.

Ayes: Leingang, Gunkel, Sand, Sage, Smith, and Chairman Strinden

Nays: None

Absent: Tabor

PASSED

Chairman Strinden called for any additional items, hearing none the meeting adjourned at 11:50 AM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*

Minutes
North Dakota Public Employees Retirement System
Thursday, May 19, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present:	Mr. Ron Leingang Mr. David Gunkel Mr. Howard Sage Ms. Arvy Smith Ms. Sandi Tabor
Via Video Conference	Chairman Jon Strinden Ms. Rosey Sand
Others Present:	Mr. Sparb Collins, Executive Director NDPERS Ms. Kim Humann, NDPERS Ms. Kathy Allen, NDPERS Ms. Sharmain Dschaak, NDPERS Mr. Bryan Reinhardt, NDPERS Ms. Deb Knudsen, NDPERS Ms. Cheryle Masset, NDPERS Ms. Rebecca Fricke, NDPERS Mr. Scott Miller, Attorney General's Office Mr. Howard Snortland, AFPE Dr. Patricia Hill, ND Pharmacists Association Ms. Gisele Thorson, NDPEA Ms. Onalee Sellheim, BCBSND Mr. Bill Kalanek, AFPE/INDSEA Mr. David Peske, ND Medical Association
Via Video Conference	Mr. Larry Brooks, BCBSND
Via Conference Call	Ms. Leslie Thompson, Segal Advisors

Chairman Strinden called the meeting to order at 8:30 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the April 21, 2005 meeting.

MR. LEINGANG MOVED APPROVAL OF THE APRIL 25, 2005 NDPERS BOARD MINUTES. MS. SMITH SECONDED THE MOTION.

RETIREMENT

Partial Lump Sum Option (Board Action Requested)

At the March meeting, the Board approved the procedures and policy, as well as an actuarial table for the Partial Lump Sum Option (PLSO). During the planning and development stage, it was discovered that an optional table may be needed for Judges and Highway Patrol since their normal form of benefit automatically guarantees a 50% surviving spouse benefit.

During discussion of adopting the additional tables for the Judges and Highway Patrol it was suggested that it may also be appropriate to have a separate set of tables for the Main System when a Joint & Survivor benefit is selected since this benefit is also paid over two lifetimes. Staff indicated that additional information could be requested from the actuary if the Board wanted to review this further.

MR. GUNKEL MOVED TO USE THE OPTIONAL TABLES FOR THE PARTIAL LUMP SUMP OPTION FOR THE JUDGES AND HIGHWAY PATROL AND INVESTIGATE THE USE OF ADDITIONAL TABLES FOR THE MAIN SYSTEM. MS. TABOR SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden

Nays: None

PASSED

Actuarial Audit Response (Board Action Requested)

Ms. Leslie Thompson, The Segal Company, joined the meeting via conference call and provided Segal's response to the 2004 Actuarial audit. Staff recommended reviewing the normal cost issue in more detail and request The Segal Company to review this and bring their findings back to the Board at a later date. By general consensus the Board agreed to proceed with obtaining a more detailed review of the normal cost issue from The Segal Company for review and consideration.

Retirement Statutes (Board Action Requested)

One of the items in the approved work plan was to consider redrafting the retirement statutes. Chapter 54-52 was for the main retirement plan only. Over the years the Judges, National Guard and Law Enforcement Plans have been added to that Chapter. In addition, the Job Service and Highway Patrol Plans have been added to the Board's responsibilities. As a result of all these changes the statutes are not very organized. If staff was to proceed with the project, they would need to begin soon since a draft would have to be submitted to the Legislative Employee Benefits Committee by April 1, 2006. This effort would require a substantial effort from the Attorney General's Office or a consultant to take the lead in drafting and organizing the statutes. Discussion followed.

MS. SAND MOVED TO HAVE LEGAL COUNSEL DEVELOP A PLAN OF ACTION FOR THE BOARD TO REVIEW. MS. TABOR SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden

Nays: None

PASSED

Disability Consulting (Board Action Requested)

Ms. Allen indicated the contract with Mid Dakota Clinic for disability consulting services expires June 30, 2005. The Board must determine whether to go out for bid or renew the present contract. Mid Dakota Clinic has indicated they wish to continue to perform these services for NDPERS at the rate of \$150 an

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hour for the July 1, 2005 through June 30, 2006 contract period. Staff has been satisfied with the services provided by the Mid Dakota staff. Staff recommended renewing the disability consulting contract for the period July 1, 2005 through June 30, 2006 at the rate of \$150 an hour.

MS. TABOR MOVED TO ADOPT STAFF'S RECOMMENDATION. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden

Nays: None

PASSED

Law Enforcement Retirement Plan (Board Action Requested)

As new groups are being enrolled in the Law Enforcement Retirement Plan different issues have arisen. It was brought to staff's attention that correctional officers do not have to finish completing a course approved or certified by the Department of Corrections to be on staff as a correctional officer. This creates a problem when a new group joins the law enforcement or when hiring new staff after the adoption of the new retirement plan.

N.D.C.C. Chapter 54-52-01(3) provides...."Correctional officer" means a participating member who is employed as a correctional officer by a political subdivision. The N.D.A.C. Chapter 71-02-01-01(9) provides.... "Correctional officer" means a person who has completed a correctional officer course approved or certified by the North Dakota department of corrections and rehabilitation and is employed by a correctional facility as defined in North Dakota Century Code chapter 12-44.1.

The "EMPLOYER PARTICIPATION AGREEMENT" provides that eligible law enforcement staff, at the time the contract is entered into, may either enroll or waive participation in the Law Enforcement plan. If a correctional officer has not completed an eligible certification course, they do not have an option to join the Law Enforcement plan. The "Employer Participation Agreement" also requires that all future eligible employees hired on or after the adoption of the law enforcement retirement plan must participate in the Public Employees Retirement System. (Authority N.D.C.C. Chapter 54-52-01.1)

Mr. Miller, legal counsel, reviewed this issue and believed that the Board could adopt a reasonable policy for transferring correctional officers to the law enforcement plan.

Staff proposed the following:

1. Upon a group's initial enrollment in the Law Enforcement Plan, correctional officers not certified will remain in the Defined Benefit plan or current employer sponsored plan until such a time that they become certified. Once certified, the correctional officer will be given 30 days to either elect to join or waive participation in the Law Enforcement plan. If no election is made, the correctional officer will remain a member of the Defined Benefit or employer sponsored retirement plan.
2. All correctional officers hired after the date a group adopts the Law Enforcement retirement, upon completion of the certification, must be enrolled in the Law Enforcement plan.

MS. TABOR MOVED TO APPROVE STAFF'S RECOMMENDATION. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden

Nays: None

PASSED

Retiree Health Credit Audit (Informational)

Included with the board materials was a memo from GRS on the results of the audit for the Retiree Health Plan.

GROUP INSURANCE

Disease Management (Board Action Requested)

Staff provided background relating to the addition of a disease management program to our plan. The disease management component funding was approved by the Legislature and Governor. Therefore, the program has been funded and staff is awaiting final Board approval to proceed. BCBS has proposed Health Dialog. However, the Pharmacy Association also presented two programs they suggested using. Staff indicated that the pilot program offered by the Pharmacy Association is more focused. This type of program could supplement the efforts of the more traditional program offered by Health Dialog. Staff recommended moving forward with the Health Dialog disease management program based upon the 2004 bid. Staff also recommended considering a pilot project with the Pharmacy Association program and to seek additional partners such as BCBS to set up a pilot and bring back to the Board for further consideration. Discussion followed.

MS. SMITH MOVED APPROVAL OF STAFF'S RECOMMENDATION. MR. LEINGANG SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden

Nays: None

PASSED

Claims Review Response (Informational)

Included with the board materials was a memo from BCBS responding to several of the issues that were previously discussed in the 2004 Claims Review prepared by Mr. Reinhardt. Mr. Brooks, BCBS, reviewed the responses in more detail with the Board.

EPO (Informational)

BCBS has completed its solicitation of the integrated health systems within the state for participation in the EPO network for the 2005-2007 biennium. The current affiliates, MeritCare Medical Group and Dakota Clinic, Ltd in Fargo, Altru Health Systems in Grand Forks, and Craven-Hagan/Mercy Medical in Williston have agreed to continue participation in our network. In addition, Ms. Allen informed the Board that MedCenter One, Inc. and PrimeCare Health Group have agreed to join the EPO. Medical Arts in Minot has declined to participate in the program.

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This year's annual EPO open enrollment will begin May 23 and run through June 24, 2005. A special notice will be sent to those members that reside within a 50-mile radius of a PrimeCare or MedCenter One facility or affiliate to inform them of these additions to our network.

Wellness Program (Informational)

As reported at the last board meeting, a letter was sent to top management of all participating employers in the group health insurance plan relating to the employer based wellness program. The letter briefly explained the program, premium incentives and requested the employer appoint a Wellness Coordinator. A follow-up memo was also sent to payroll/personnel staff for the purpose of briefing them about the upcoming program.

Staff asked participating employers to respond by the close of business on Thursday, May 12, 2005. A total of 119 responses have been received out of the 261 letters that were sent for a 46% response rate. All responses to date have been affirmative. Staff will be following up with non-responders using email and telephone to ensure that no employer inadvertently misses the opportunity of receiving the 1% discount on health premiums.

Life Insurance Plan New Carrier Update (Informational)

Mr. Collins provided an update on the life insurance plan carrier change. Mr. Collins indicated retirees were sent notice of the life insurance rate change. Ms. Fricke provided an update on the type and number of calls the PERS Member Services Unit had been receiving regarding the rate change.

Medicare RX (Informational)

Included with the board materials were several power point presentations from the Medicare Rx Committee meeting held on May 13. Mr. Collins conveyed Gallagher is the consultant for this program. Mr. Collins indicated staff had not received the direction from Gallagher that they were anticipating for this project. Staff requested approval to contact Segal to seek direction from them on this project. By general consensus, the Board approved staff to contact Segal for consultation on this project.

EAP (Board Action Requested)

Ms. Allen indicated the EAP contracts with the current vendors expire June 30, 2005. Therefore, staff requested a renewal proposal from each of the current vendors for the 2005-2007 biennium. The proposal was sent along with the minimum requirements. Staff requested that they respond as to interest in continuing to provide services to the State for the upcoming biennium, the price, and to determine whether all the services offered in their original proposal still apply. The only exception to the minimum requirements was the increase in price from \$1.36 to 1.42 per employee per month. All vendors responded within the designated time frame. Staff found that each continues to meet the minimum qualifications in order to be eligible for consideration by our participating state employers. Staff noted some changes as follows:

St Alexius EAP

- They are proposing that their rate be increased to \$1.42.

MedCenter One EAP

- They have added 1 hour free legal consultation annually and 1 drug/alcohol assessment per year, financial counseling /money management, and fitness testing consultation annually at no additional cost.
- They are proposing no increase to their current rate which is \$1.36.

The Village

- Have updated the training hours available for on-site seminars.

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- They are proposing that their rate be increased to \$1.42.

The program was also advertised to solicit other vendors. One response was received from Deer Oaks EAP Services located in San Antonio, Texas. Staff requested clarification from this provider on several areas. Following are the responses they provided

1. Deer Oaks does not currently have any contracts in the State of North Dakota, however, has extensive experience with public employer groups that would easily translate into providing exceptional services to the agencies of North Dakota.
2. Deer Oaks does not have any minimum participation requirements.
3. Deer Oaks agreed to decrease the cost per employee per month from \$1.19 to \$1.18 in order to facilitate the computer systems of North Dakota agencies.
4. Deer Oaks has the capabilities to add network providers as needed and as requested in order to ensure geographic coverage and diversification of providers.

Staff found the above responses satisfactory and that Deer Oaks met the minimum requirements to provide services to the state.

Staff recommended renewing the contract with the three current vendors and offer a contract to Deer Oaks to provide EAP services to the state employees.

MS. TABOR MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden

Nays: None

PASSED

Member Rebate Accounts (Board Action Requested)

Mr. Collins conveyed that one of the conditions in the BCBS proposal was that PERS would participate in their member rebate accounts (MRA's). This program was developed by BCBS in response to concerns that the prescription rebates the plan receives could be the subject of claims by members since those rebates are not directly shared with them. However, in the PERS plan we use these rebates to reduce future premiums. Several years ago BCBS offered PERS the choice of participating in the program or not to participate. After discussion PERS concluded that it did not believe the MRA's provided any protection against potential claims by members and only increase the premium cost of our coverage by diverting rebates from reducing premiums to benefits. In the most recent bid, BCBS included MRA's even though it was not part of the bid specifications. During staff's discussion with BCBS on the proposal staff indicated that PERS did not want the accounts. BCBS's response was that PERS did not have to include the MRA's but they would require us to give them a "hold harmless" against all future claims. PERS response was that if they would be willing to give us the same "hold harmless" we would include the accounts. Based upon that understanding the bid was accepted. Included with the board materials was the hold harmless language that was developed by BCBS. Staff recommended to include the language in the agreement and have the MRA's be a part of our plan effective July 1, 2005. Discussion followed.

MR. SAGE MOVED TO APPROVE STAFF'S RECOMMENDATION. MS. SMITH SECONDED THE MOTION.

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Ayes: Leingang, Gunkel, Sage, Sand, Smith and Chairman Strinden

Nays: Tabor

PASSED

Smoking Cessation (Board Action Requested)

Ms. Allen indicated PERS was notified by the Health Department that they were approved funding in the amount of \$250,000 to continue tobacco prevention activities for state employees for the 2005-07 biennium. The Health Department indicated that in order to continue the current program it will be necessary to submit another grant application. Staff anticipated that the project would again be a joint effort among PERS, BCBS, and the Health Department.

Staff requested the Board's consideration to apply to the Health Department for a grant in order to continue the efforts to promote smoking cessation for state employees. Staff felt this program would continue to be successful due to the passage of SB 2300 relating to smoke-free environments. To date 117 individuals have completed the program and \$26,079 has been reimbursed to cover counseling, office visits, and Rx and over the counter medications.

Staff recommended that in conjunction with BCBS and the Health Department, to proceed with developing a grant proposal to continue to offer a smoking cessation program for state employees.

MS. TABOR MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden

Nays: None

PASSED

Interim Study (Informational)

Included in the board materials was information from HB1015 which relates to the Legislative Council – State Employee Compensation Study during the 2005-2006 interim. Last session a study of the health plan was passed and it was assigned to the Employee Benefits Committee. The new study is more comprehensive than last time and will look at all aspects of compensation for state employees.

Surplus/Affordability Update (Informational)

The April 2005 surplus projection and affordability analysis for the NDPERS group medical plan were included with the board materials.

MISCELLANEOUS

Annual Payroll Conference (Informational)

The annual payroll conference has been scheduled for June 8, 2005 at the Heritage Center. The Health Department will be assisting the PERS office in making this available on web cast. Included with the board materials was a tentative agenda.

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Quarterly Consulting Fees (Informational)

Included with the board materials was a report showing the consulting, investment and administrative fees paid during the quarter ended March 2005.

OTHER

Next Meeting

The next meeting will be held on Thursday, June 16, 2005.

Executive Director's Evaluation (Informational)

Ms. Smith conveyed the sub-committee had been having difficulty meeting regarding Mr. Collins annual evaluation. Ms. Smith will be forwarding the evaluation information to the Board members for completion. Ms. Smith, Mr. Gunkel and Chairman Strinden will be having a conference call to review the results.

Chairman Strinden called for any other business or comments. Hearing none, the meeting was adjourned at 10:25 a.m.

Prepared by,

Kim Humann
Administrative Assistant

Minutes
North Dakota Public Employees Retirement System
Thursday, June 16, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present:	Mr. Ron Leingang Mr. David Gunkel Mr. Howard Sage Ms. Arvy Smith
Via Video Conference	Chairman Jon Strinden Ms. Rosey Sand
Others Present:	Mr. Sparb Collins, Executive Director NDPERS Ms. Kim Humann, NDPERS Ms. Kathy Allen, NDPERS Ms. Sharmain Dschaak, NDPERS Mr. Bryan Reinhardt, NDPERS Ms. Deb Knudsen, NDPERS Ms. Sharon Schiermeister, NDPERS Ms. Cheryle Masset, NDPERS Ms. Rebecca Fricke, NDPERS Mr. Scott Miller, Attorney General's Office Mr. Howard Snortland, AFPE Ms. Onalee Sellheim, BCBSND Mr. Bill Kalanek, AFPE/INDSEA Mr. Dennis Ziemer Peske, NDPEA Mr. Weldee Baetsch
Via Video Conference	Mr. Larry Brooks, BCBSND
Via Conference Call	Ms. Leslie Thompson, Segal Advisors

Chairman Strinden called the meeting to order at 8:30 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the May 19, 2005 meeting.

MR. LEINGANG MOVED APPROVAL OF THE MAY 19, 2005 NDPERS BOARD MINUTES. MR. SAGE SECONDED THE MOTION.

HEALTH INSURANCE

Dental Renewal (Board Action Requested)

Ms. Allen reviewed the January 1, 2006 dental renewal rates for the NDPERS voluntary dental insurance plan. Ms. Allen conveyed ING was requesting a 4.5% rate increase. Ms. Allen indicated that this information was forwarded to Gallagher Benefit Services. However, due to the timing Gallagher Benefit Services was unable to do an analysis prior to the board meeting to determine if this increase was justifiable. Discussion followed.

MR. LEINGANG MOVED FOR STAFF TO CONSULT WITH GALLAGHER BENEFIT SERVICES TO DETERMINE IF THE DENTAL RENEWAL BID WAS REASONABLE AND IF SO, THAT STAFF PROCEED WITH FINALIZING THE CONTRACT. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Sand, Smith and Chairman Strinden

Nays: None

PASSED

Wellness Program Update (Informational)

The deadline for submitting the concurrence forms for the Employer Based Wellness program has passed. However, staff had been contacting employers who did not respond to initial inquiries and the internal cut-off had been established as of June 15, 2005. Ms. Knudsen provided a break down of the responses received.

BCBS Administrative Agreement (Informational)

Included with the board materials was the first draft of BCBS Administrative Agreement for review and comments. This will come back before the Board for final approval at the July meeting.

Rx Update (Informational)

Mr. Brooks from BCBS provided an update on the implementation of the mail order prescription option for the health plan. Discussion followed. As a result of the discussion, several questions arose regarding the mail order service. Mr. Brooks will provide the additional information requested to the Board.

Member Services Survey (Informational)

Included with the board materials were the results of the February 2005 survey conducted by BCBS of its NDPERS member service unit. The survey is conducted twice annually in February and August. Ms. Onalee Sellheim, BCBSND, presented the highlights of the survey to the Board.

GASB Requirement (Board Action Requested)

Mr. Bill Robinson, Gallagher Benefit Services, joined the meeting via video conferencing and reviewed the GASB 45 reporting requirements for the health plan and presented a general timeline along with a fee proposal should NDPERS retain them to do the required GASB study for the retiree healthcare subsidy. The Board discussed having an estimate of the liability prepared for the fiscal year ending this June 30. It was felt that preparing this estimate in advance of the one required for the financial statement in future years would be beneficial in getting a perspective of what this cost might be before having to report it on the financial statements. It was suggested that we should share this information when prepared with the Office of Management and Budget.

MR. SAGE MOVED TO PROCEED WITH THE GASB 45 PROJECT AND CONSULT WITH THE OFFICE OF MANAGEMENT AND BUDGET ON THIS PROJECT. MS. SMITH SECONDED THE MOTION.

Ayes: Gunkel, Sage, Sand, Smith and Chairman Strinden

Nays: Leingang

PASSED

RETIREMENT

QDRO (Board Action Requested)

Ms. Fricke indicated due to the elimination of the 5-year term as a retirement benefit option, the models used to process Qualified Domestic Relation Orders (QDRO) for the Defined Benefit Plans needed to be revised to remove this option and add the 20-year term option.

Also at this time, the models were reviewed by staff, legal counsel and Segal to determine if additional changes or notations were necessary. Due to common questions received by individuals and attorneys using the model, some modifications were suggested to provide clarification to the parties that utilize the models. The models for both active and retired members were included with the board materials for review and contained the suggested changes.

In addition, staff requested that the Board consider changing the language found under V(C) in the active model, which provides detail about what occurs in the event the alternate payee dies prior to receipt of benefits under this order. Specifically, the current language indicates that the entire amount that may be due to the alternate payee reverts to the participating member. Staff and legal counsel have received a number of inquiries, as well as, draft models that have changed this option to pay the alternate payee's estate. These draft models have been rejected as they do not comply with the current approved language and to date, the rejections have not been contested. However, staff felt that the Board should examine this issue to determine if this is the language that they would like to continue using.

Through discussions with Scott Miller, legal counsel, and Melanie Walker, Segal, an additional option has been identified for the Board's consideration. The additional option would be to allow the alternate payee's estate to receive a lump sum payment that is determined based on a percentage of the member's account balance as of the date of divorce until the distribution is paid. The calculation of this benefit would be the same as what is currently used when a member discontinues employment and withdraws the account balance found under section IV.

Also, a similar choice has been provided in the retiree model. However, due to the immediate payout to an alternate payee of a retired member once a QDRO is received, this issue has not been questioned by those preparing a retiree model. Therefore, the Board could also consider leaving the current language. If challenged, staff could bring this model to their attention at that time.

Ms. Fricke distributed revised models that incorporated additional comments from legal counsel and Segal. Staff recommended approval of the suggested model revisions and clarifications except for alternative IV.C. on the retiree model. Discussion followed.

MR. GUNKEL MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. SAND SECONDED THE MOTION.

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Ayes: Leingang, Gunkel, Sage, Sand, Smith and Chairman Strinden

Nays: None

PASSED

Partial Lump Sum Option (Informational)

At the last meeting the Board adopted a table for calculating the Partial Lump Sum Option (PLSO) for Judges and Highway Patrol that recognized the normal form of benefits in those systems included an automatic 50% Joint & Survivor (J & S) benefit. The adoption of this table supplemented the tables adopted in March 2005 for the other NDPERS systems that calculated the PLSO based upon the normal form of benefit in those systems. The basic difference is that recognizing the automatic J & S benefit as part of the normal retirement benefit means the reduction is calculated over 2 lifetimes rather than one since the normal form of benefits in the other systems assumes only one lifetime.

During discussion at the May 2005 board meeting, the question arose whether or not NDPERS should have additional tables for those systems that do not have the automatic 50% J & S benefit to recognize in those systems a different reduction method if someone would select the J&S benefit. Ms. Leslie Thompson, Segal, provided an overview of their findings on this option to the Board. By general consensus, the Board agreed to not make any changes and continue on with the action taken at the March 2005 meeting.

FLEXCOMP

FlexComp Plan Change (Board Action Requested)

Ms. Allen conveyed on May 18, 2005, the Treasury Department and the IRS issued Notice 2005-42 which will allow employers the option to modify Flexible Spending Arrangements (FSAs) to extend the deadline for reimbursement of health and dependent care expenses up to 2½ months after the end of the plan year. Currently, employees are required to "use-or-lose" FSA funds by the end of the year. Under these rules, any unspent funds at year's end are forfeited. Under the new regulations, plan sponsors may provide for a Grace Period immediately following the end of each plan year, during which amounts may be carried-forward and used for qualified expenses incurred during the Grace Period. In addition, the new rules provide the following:

- The Grace Period must end by the fifteenth day of the third calendar month after the end of the immediately preceding plan year (i.e., "the 2 and 1/2 month rule"). For our plan this would be March 15th.
- Unused benefits or contributions relating to a particular qualified benefit may only be used to pay or reimburse expenses incurred with respect to that particular qualified benefit. For example, unused amounts elected to pay or reimburse medical expenses in a health flexible spending arrangement (FSA) may not be used to pay or reimburse dependent care or other expenses incurred during the Grace Period.
- If unused benefits or contributions exceed expenses incurred during the Grace Period, those remaining unused benefits or contributions may not be carried forward and are "forfeited" under the "use-it-or-lose-it" rule.

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- Employers may continue to provide a "run-out" period after the end of the Grace Period, during which expenses for qualified benefits incurred during the cafeteria plan year and the Grace Period may be paid or reimbursed.

Ms. Allen conveyed that reprogramming of the PeopleSoft system will be required in order to administer this provision. Ms. Allen indicated because this change would be for the benefit of all users, it is most likely ConnectND would cover this expense.

Staff recommended amending the plan document to incorporate the 2½ month rule for health and dependant care expenses thereby allowing participants to submit claims incurred between January 1 and March 15 (Grace Period) of the plan year to be applied against any account balances remaining in the previous plan year. In addition allow a "run-out" period of 6 weeks or until April 30 for participants to submit these claims. Staff anticipated implementing these provisions for the 2005 plan year; however, this would be contingent on the time frame required for reprogramming and testing the system. Discussion followed.

MS. SMITH MOVED APPROVAL OF STAFF'S RECOMMENDATION. MR. GUNKEL SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Sand, Smith and Chairman Strinden

Nays: None

PASSED

DEFERRED COMPENSATION

ING (Board Action Requested)

Earlier this year, the Board approved amending the Provider Administrative Agreement regarding the current procedures to authorize new agents to provide plan services and to clarify the administrative requirements for participating deferred comp plan providers to accept rollovers from other eligible plans into 457 accounts.

Ms. Allen indicated on February 23rd a certified letter along with the approved contract amendments was sent to the provider company contacts with a comment deadline of March 18, 2005. Staff received comments from five providers and for those that did not respond, staff assumed the amendments were acceptable. Therefore, the agreement was sent to all provider companies for authorization with a response deadline of May 20, 2005.

As of the board meeting date, only two providers have not returned a signed agreement; Chase Insurance and ING. Ms. Allen conveyed she had followed up with Chase and they do plan to sign and return the agreement. However, ING responded with some suggested changes to the agreement. The changes are not related to the reasons we amended the document. They are related to Section 2, items L & Q. I did point out to them that they were previously allowed a comment period. They indicated that they did not receive our February 23rd letter. However, our records indicate that a certified mail receipt was returned to our office signifying the letter was accepted by ING. A copy of ING's letter was included with the board materials. Staff referred this issue to Mr. Miller, legal counsel, for review. Mr. Miller concluded that in the past individual negotiations on the contracts with the provider companies have not been allowed and some of the items they were referring to have always been a part of the contract that they have signed previously.

Staff recommended that the Board not authorize the requested changes. In the past the Board has offered all providers a standard contract and resisted getting into individual negotiations. If the Board would authorize the changes requested, it would open the door to individual negotiations with all providers.

By general consensus, the Board agreed that staff should write to ING indicating the Board reviewed the suggestions but at this point was not considering changes to these sections and request them to sign the revised contract prior to the July board meeting.

Rollovers (Board Action Requested)

At the December meeting, the Board approved changing the deferred compensation plan provisions to allow rollover contributions from other eligible retirement plans to include 401(a), 401(k), 403(b), FERS Thrift Savings Plan and IRAs. Staff was directed to have Segal draft a plan amendment to that effect.

The plan amendment submitted by Segal provided that the participant may at any time elect to receive an in-service distribution of all or any portion of the amount held in a separate rollover account. In staff's discussion with Segal on this issue, Segal indicated that this is an option permitted under the EGTRRA provisions. This option would be in conflict with the following Articles under the Administrative Code:

- *Under N.D. Administrative Code 71-04, Chapter 71-04-01, "Separation from Service" means that term as defined under Internal Revenue Code section 402(d)(4)(A)(3i) and includes termination of employment with the employer by reason of death, disability, retirement, resignation, or discharge.*
- *N.D.A.C. section 71-04-05-06 states that "the employer shall notify the retirement board within thirty days of an employee's separation from service. The retirement board shall then notify the former employee's provider of the employee's separation from service and eligibility for payment options under the plan".*
- *N.D.A.C. section 71-04-04-07 also references the employee separation from service and eligibility for payment of benefits.*
- *NDAC sec. 71-04-03-07 states that distributions cannot begin until there has been a separation of service.*

Based on the above references, Mr. Miller, legal counsel, advised that to include this option, revisions must be made to the administrative code. In its response, Segal outlined the pros and cons of offering this option. Staff requested the Board to consider the following:

- Determine whether the rules should be revised to allow the optional provision relating to the in-service distribution of eligible plan rollovers to the 457 deferred compensation plan.
- Determine if NDPERS will require that the eligible rollover contributions must be used to satisfy a hardship before an application can be submitted for a hardship distribution from the 457 plan account.

Discussion followed.

MR. SAGE MOVED TO TREAT THE ROLLOVERS AS REGULAR 457 CONTRIBUTIONS SUBJECT TO THE HARDSHIP STIPULATIONS. MR. GUNKEL SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Smith and Chairman Strinden

Nays: Sand

PASSED

Investments Quarterly Review (Informational)

Mr. Reinhardt reviewed the 457 Companion Plan & 401(a) Plan 1st Quarter 2005 Reports with the Board. The reports were included in the board materials.

MISCELLANEOUS

Benefits Administration (Informational)

Mr. Collins indicated one of the major efforts undertaken by NDPERS staff and in particular Ms. Sharon Schiermeister has been the development and implementation of the benefits administration module relating to the PeopleSoft System for the State of North Dakota. While this effort was directed by the Legislature it is also responsive to NDPERS work plan efforts for benefits administration. Ms. Schiermeister reviewed the progress made to date and anticipated plans for the future for the benefits administration module.

Benefits Planning Process (Board Action Requested)

Mr. Collins indicated later this summer staff will begin the benefits planning process. In past years this started by getting the benefits committee together to brainstorm ideas for each of the program areas, identify the pro's and cons, get a review of them by our consultants and then forward them to the Board by December. At that point the Board reviewed the information and made a determination on what ideas should be proposed in legislation. Before beginning this process, Mr. Collins wanted to confirm that this approach was still consistent with the Boards expectations and to ask whether or not the Board would like to modify this approach by having its own meeting at the start of the process to identify ideas that could then go through the additional review steps mentioned above. Discussion followed. By general consensus, the Board agreed they would like to have a separate brainstorming meeting sometime in the early fall. Mr. Collins will put together potential dates and bring that back to the Board.

Audit Committee Minutes (Informational)

The February 16, 2005, Audit Committee Meeting Minutes were included in the board materials.

Audit Charter (Board Action Requested)

The audit committee's charter is a formal written document that defines the audit committee's purpose, authority, and responsibility. The current NDPERS internal audit charter was reviewed and approved by the audit committee and the NDPERS Board in August 1993.

The current audit committee, Chairman Strinden and Mr. Leingang, reviewed and approved the updated final draft of the audit committee charter at the May 17, 2005 audit committee meeting. This document sets forth the purpose and structure of the audit committee, meeting guidelines and the audit committee authority and scope of responsibilities. As an appointed committee by the Board, acting on their behalf in fulfilling the Board's fiduciary oversight responsibilities, the audit committee recommended approval of this document.

MR. LEINGANG MOVED APPROVAL OF THE AUDIT COMMITTEE CHARTER. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Sand, Smith and Chairman Strinden

Nays: None

PASSED

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Appeal (Informational)

Mr. Miller, legal counsel, reviewed the process that will occur for the appeal.

OTHER

Life Insurance Provider Change and Health Insurance Rate Increase Update (Informational)

Mr. Collins provided an update on the life insurance change over to Prudential and the health insurance rate increase.

NAGDCA Conference (Board Action Requested)

Ms. Sand indicated in the past the Board has approved at least one member to attend the National Association of Government Deferred Compensation Administration (NAGDCA) Annual Conference. Ms. Sand conveyed she was interested in attending the conference in September.

MR. LEINGANG MOVED APPROVAL FOR ONE BOARD MEMBER TO ATTEND THE NAGDCA CONFERENCE. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Sand, Smith and Chairman Strinden

Nays: None

PASSED

Executive Director's Evaluation (Informational)

Ms. Smith conveyed that Mr. Collins evaluation is pending. She anticipated the sub-committee getting together soon to review the evaluation results.

Chairman Strinden called for any other business or comments. Hearing none, the meeting was adjourned at 11:00 a.m.

Prepared by,

Kim Humann
Administrative Assistant

Minutes
North Dakota Public Employees Retirement System
Thursday, July 21, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present:	Mr. Ron Leingang Mr. David Gunkel Mr. Howard Sage Ms. Arvy Smith Ms. Sandi Tabor
Via Video Conference	Chairman Jon Strinden Ms. Rosey Sand
Others Present:	Mr. Sparb Collins, Executive Director NDPERS Ms. Kim Humann, NDPERS Ms. Geri Frohlich, NDPERS Ms. Kathy Allen, NDPERS Mr. Bryan Reinhardt, NDPERS Ms. Deb Knudsen, NDPERS Ms. Cheryle Masset, NDPERS Ms. Diane Heck, NDPERS Mr. Scott Miller, Attorney General's Office Mr. Howard Snortland, AFPE Mr. Bill Kalanek, AFPE/INDSEA Mr. Steve Cochrane, RIO Ms. Gisele Thorson, NDPEA Ms. Kathy Mangskau, ND Dept of Health Mr. Bob Thomas, SEI Investments Mr. Don Haverly, SEI Investments Mr. Jeff Sparling, SEI Investments
Via Video Conference	Mr. Larry Brooks, BCBSND Dr. Jon Rice, BCBSND
Via Conference Call	Ms. Kamie Kueneman, Prime Therapeutics Ms. Leslie Thompson, Segal Company

Chairman Strinden called the meeting to order at 8:30 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the June 16, 2005 meeting.

MR. LEINGANG MOVED APPROVAL OF THE JUNE 16, 2005 NDPERS BOARD MINUTES. MS. SMITH SECONDED THE MOTION.

GROUP INSURANCE

Smoking Cessation (Board Action Requested)

At the May meeting, the Board approved NDPERS to continue its efforts to promote a smoking cessation program for state employees in conjunction with the Health Department and Blue Cross Blue Shield (BCBS). PERS staff met with BCBS to review last biennium's program and determine if any administrative changes were necessary. Included with the board materials was a memo from BCBS outlining options for consideration based on its experience with the program over the last year. Dr. Rice, BCBS, reviewed the proposed changes to the smoking cessation program. NDPERS staff distributed the proposed smoking cessation program promotion costs and administration fee from BCBS. Also included with the board materials was last year's Participation Agreement which was updated for the next two-year period based on the current reimbursement schedule. Discussion followed. Staff recommended providing for the smoking cessation plan aids through the prescription drug plan, continuing to make counseling available and putting in a proposed budget of \$14,000.00 for promotion.

MS. SMITH MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. TABOR SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

EAP Renewal (Informational)

Ms. Allen indicated the EAP renewal for the 2005-2007 biennium was complete. The following providers met the minimum requirements and were available for selection by participating agencies:

St. Alexius EAP
Medcenter One EAP
Village Family Services
Deer Oaks EAP Services (San Antonio TX)

All agencies were sent a notice requesting they contact NDPERS if they wished to select another vendor. If no response was received, staff assumed they wanted to remain with the vendor currently on record. One agency changed vendors from Village Family Services to St. Alexius. No agencies selected Deer Oaks EAP Services.

Dental Renewal (Board Action Requested)

Ms. Allen conveyed the NDPERS office had received the dental renewal proposal from ING effective for January 1, 2006. The initial proposal provided for a 4.5% increase. Based on a review by Gallagher Benefit Services (GBS), it was recommended that ING re-evaluate its proposal based on several issues raised by GBS. A copy of the GBS response was included with the board materials. Subject to these observations, ING agreed to adjust its proposed increase to 3%. ING's adjusted rate renewal notification was included with the board materials. Staff recommended accepting ING's proposal for a 3% increase for the 2006 plan year.

MR. LEINGANG MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

RETIREMENT

Experience Study (Informational)

Mr. Collins indicated Ms. Leslie Thompson, Segal Company, would be joining the meeting via conference call due to her flight to Bismarck being cancelled. Ms. Thompson joined the meeting via conference call and provided a brief overview of the results of the experience study for the NDPERS retirement plan. Ms. Thompson conveyed she will be attending the August 18 board meeting and will provide a more detailed review at that time.

Asset Liability Study (Informational)

Mr. Bob Thomas, Mr. Jeff Sparling and Mr. Don Haverly, SEI Investments, provided the Board with the findings of the asset liability study they recently completed. The purpose of this study was to help determine if any changes need to be made in the asset allocation for the investments in order to meet the liabilities. A copy of this material is on file at the NDPERS office.

Statute Revision Project (Board Action Requested)

At the May board meeting discussion was held regarding rewriting the NDPERS statutes. Included with the board materials from Mr. Miller, legal counsel, were his thoughts and possible timeframes for the project. Discussion followed. By general consensus, the Board agreed to defer action on this project.

GROUP INSURANCE

Health Administrative Agreement (Board Action Requested)

Included with the board materials was the Administrative Agreement for BCBS. This Agreement was reviewed by the NDPERS staff and the Attorney General's office. Pursuant to statute the Agreement must be signed by the Board chair.

Also included with the board materials was an Interagency Agreement between NDPERS and UND for the wellness pilot project that was previously approved by the Board and funded by the legislature in the health premiums. This Agreement was also reviewed by NDPERS staff and the Attorney General's office.

Staff recommended approval of the Administrative Agreement for BCBS and authorize the Chairman to sign it. Staff also recommended approval of the Interagency Agreement with UND and authorize the Executive Director to sign. Discussion followed. The Board requested that Mr. Collins clarify with UND their indirect cost rate.

MR. SAGE MOVED TO APPROVE THE UND AGREEMENT CONTINGENT UPON VERIFICATION OF THE 30% INDIRECT COST AMOUNT. MS. SMITH SECONDED THE MOTION.

NDPERS Board Meeting

July 21, 2005

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Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

MS. SMITH MOVED APPROVAL OF THE ADMINISTRATIVE AGREEMENT WITH BCBS. MR. SAGE SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

HIPAA Security Update (Informational)

Mr. Reinhardt conveyed the implementation deadline for HIPAA Security compliance passed this spring. NDPERS implemented HIPAA Security Policies & Procedures over a year before the required deadline. During the past year, annual HIPAA Security and Privacy training was attended by all NDPERS staff. All new staff are also trained on the HIPAA standards as a part of new employee orientation. During the past year, the NDPERS IT staff and Mr. Reinhardt reviewed the NDPERS HIPAA Policies & Procedures for compliance. The NDPERS Loss Control Committee recently reviewed and updated the policies & procedures. The updated NDPERS HIPAA Security Standards were sent to Mike Mullen of the Attorney General's office for review and comment.

During the next year, NDPERS staff plans to repeat the training and review and will compare the NDPERS policies and procedures with other covered entities to see if there is anything that could or should be done better.

DEFERRED COMPENSATION

Provider Education (Informational)

Provider representatives for the companies in the NDPERS 457 plan must attend an initial training within twelve months of becoming a representative in the NDPERS plan and every two years thereafter. Ms. Knudsen conveyed in June there were four provider meetings conducted. A meeting was held in Fargo and Williston and two were held in Bismarck. A total of 133 representatives attended the basic session and there were 7 new representatives that attended the PEP session that was offered. Representatives were briefed on changes in the NDPERS 457 plan and also provided with an overview of the NDPERS website area created for 457 provider representatives. A second set of trainings will be available in the fall. Locations for these trainings are Bismarck, Minot and Grand Forks.

GROUP INSURANCE

RX Information (Informational)

Included with the board materials was BCBS response to questions raised at the last meeting relating to the mail order program. Ms. Kamie Kueneman, Prime Therapeutics, joined the meeting via video conferencing and reviewed each of these questions further with the Board. Discussion followed.

DEFERRED COMPENSATION

Financial Hardships (Board Action Requested)

Appeal 2005-006DC (Board Action Requested)

Ms. Allen indicated the participant was requesting a hardship withdrawal to cover expenses incurred by a family member as a result of judgments, bail fines, and debts arising from NSF checks plus the associated fees. Ms. Allen conveyed the participant had suspended their monthly deduction to their deferred compensation account. The application, income and expense statements of the participant along with copies of the family member's judgments, arrest warrants, and outstanding debt history were included for the Board's information. The Board reviewed the application and discussed the request.

MR. GUNKEL MOVED TO DENY FINANCIAL HARDSHIP 2005-006DC. MR. SAGE SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

Appeal 2005-007DC (Board Action Requested)

Ms. Allen indicated the participant was requesting a hardship withdrawal to cover expenses in arrears due to child support obligations. Ms. Allen conveyed the participant had suspended their monthly deduction to their deferred compensation account. The application, income and expense statements of the participant along with supporting documentation were included for the Board's information. Ms. Allen indicated staff did not receive a response to their request for receipts to verify rent and credit card expenses. The Board reviewed the application and discussed the request.

MR. GUNKEL MOVED TO DENY FINANCIAL HARDSHIP 2005-007DC. MR. SAGE SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

Provider Administrative Agreement (Board Action Requested)

At the June meeting, the Board was informed that two providers had not returned a signed Provider Administrative Agreement acknowledging the amendments to change the current procedures to authorize new agents to provide plan services and to clarify the administrative requirements for participating deferred compensation plan providers to accept rollovers from other eligible plans. The provider companies are Chase Insurance and ING. Ms. Allen indicated she sent a letter to Chase Insurance on June 23 requesting action by July 8, 2005. A letter was also sent to ING notifying them the Board did not approve their proposed changes to the Agreement and requesting they also respond by July 8, 2005. Ms. Allen conveyed to date neither company had responded.

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According to §71-04-04-09 of the Administrative code, "The board shall suspend a provider that does not meet the requirements under article 71-04 or North Dakota Century Code chapter 54-52.2. The Board may apply either of the following two types of suspension:

1. **Loss of active provider status.** Under this type of suspension, the provider may not enroll any new participants. The provider may continue to receive contributions from existing members.
2. **Loss of provider status.** Under this type of suspension, the provider may not enroll any new participants nor receive any further contributions from existing members.

Before imposing either of the above options, the Board is required at least thirty days prior to suspension to send a certified letter to the provider indicating the Board's intent to suspend and the reasons for the suspension. Any response from the provider must be reviewed by the Board at the Board's next scheduled meeting in August. If the Board decides to suspend a provider, the Board must send a certified letter of suspension to the provider stating the reasons for the suspension and the type of suspension. Staff recommended beginning the process for loss of active provider status for Chase Insurance and ING.

MS. TABOR MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

FLEXCOMP

Dependent Care FSA (Board Action Requested)

At the June meeting, staff recommended and the Board approved amending the FlexComp Plan Document to incorporate the 2½ month rule thereby allowing participants to submit claims incurred between January 1 and March 15 (Grace Period) of the plan year to be applied against any account balances remaining in the previous plan year. In addition, it allowed a "run-out" period of 6 weeks or until April 30 for participants to submit these claims. Ms. Allen indicated this was in response to IRS Notice 2005-42 issued on May 18, 2005. At the time staff introduced this new regulation, they specified that it would apply to both medical spending and dependent care accounts. Ms. Allen conveyed recently new information had been released that outlined some taxation and reporting issues associated with allowing a Grace Period for dependent care accounts. NDPERS staff included this information for the Board's review as well as comments provided in bulletins received from Buck and The Segal Company.

Staff reviewed the potential taxation and reporting ramifications of allowing the Grace Period for dependent care accounts and recommended that this rule not apply to these accounts at this time or until further guidance is provided. However, staff will continue with efforts to implement these provisions for medical spending accounts effective with the 2005 plan year.

MS. SMITH MOVED TO ALLOW THE GRACE PERIOD FOR MEDICAL SPENDING ACCOUNTS ONLY AS RECOMMENDED BY STAFF. MS. TABOR SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

MISCELLANEOUS

Board Planning Session (Board Action Requested)

At the June board meeting the Board agreed they would like to have a separate brainstorming meeting sometime in the early fall to review the challenges facing the retirement plans and health plan and determine what legislation to submit by March 2006. Mr. Collins indicated there were several projects in the early part of September that would deter from the possibility of holding the meeting until the last half of September or the first week in October. By general consensus, the Board recommended holding a special brainstorming meeting. Mr. Collins indicated staff will send an email to the Board members with possible meeting dates. Based on the responses received from the Board, staff will follow-up with an email to Board members indicating the date, place and time for the meeting.

Other – Regional NASRA Meeting

Mr. Collins conveyed he has been working on organizing a regional meeting for NASRA for staff and trustees that is coordinated with the International Foundation certificate program and will be related to health and retirement. The program will be held on September 27 and September 28 in Chicago. Mr. Collins inquired if the Board would like to approve for any members to attend the meeting. Discussion followed.

MR. SAGE MOVED APPROVAL FOR ANY BOARD MEMBER WHO MAY BE INTERESTED TO ATTEND THE PROGRAM IN CHICAGO. MR. GUNKEL SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

Employee Benefits Committee (Informational)

Included with the board materials was the Legislative Employee Benefits Committee membership listing along with their assigned duties and responsibilities for this biennium.

OTHER

Executive Director's Evaluation/Salary Increase (Board Action Requested)

On behalf of the evaluation sub-committee, Ms. Smith provided an overview on the evaluation results and proposed salary increase for the Executive Director. Ms. Smith indicated Chairman Strinden will be meeting with Mr. Collins to discuss the evaluation results in more detail. The sub-committee proposed an 8% salary increase for the Executive Director (4% of the increase was granted by the legislature). Discussion followed.

MR. SAGE MOVED TO DIRECT THE EXECUTIVE DIRECTOR TO REPORT THE AGENCY SALARY BUDGET INFORMATION BACK TO THE BOARD AT THE AUGUST BOARD MEETING TO DETERMINE IF THERE ARE FUNDS AVAILABLE FOR CONSIDERATION OF THE PROPOSED ADDITIONAL 4% SALARY INCREASE FOR THE EXECUTIVE DIRECTOR. MS. TABOR SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Tabor, Smith and Chairman Strinden

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Nays: Sand

PASSED

Investment Committee

Mr. Sage conveyed at the last State Investment Board meeting the Teacher's chose to change their asset allocation and direct an additional 5% of their portfolio into fixed income. This is property that is appreciating and has high commercial and high residential value as well as timberland value. NDPERS owns approximately 60% of this land and the rest of the portfolio owns the remaining 40%. Because they are directing an additional 5% into fixed income it is going to result in NDPERS reduced holdings of timberland. Mr. Sage indicated the NDPERS investment sub-committee wants to make sure that fair value is given for the property at the time of this redistribution. Mr. Sage indicated he would like the NDPERS investment sub-committee to meet with Mr. Steve Cochrane, RIO Investment Officer, to discuss this issue. Discussion followed.

MS. SAND MOVED TO DIRECT THE NDPERS INVESTMENT SUB-COMMITTEE TO MEET WITH MR. STEVE COCHRANE, RIO INVESTMENT OFFICER, TO DISCUSS THIS ISSUE. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting was adjourned at 10:50 a.m.

Prepared by,

Kim Humann
Administrative Assistant

Minutes
North Dakota Public Employees Retirement System
Thursday, August 18, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present:	Mr. Ron Leingang Mr. David Gunkel Mr. Howard Sage Ms. Arvy Smith Ms. Sandi Tabor
Via Video Conference	Chairman Jon Strinden Ms. Rosey Sand
Others Present:	Mr. Sparb Collins, Executive Director NDPERS Ms. Geri Frohlich, NDPERS Ms. Kathy Allen, NDPERS Mr. Bryan Reinhardt, NDPERS Ms. Deb Knudsen, NDPERS Ms. Cheryl Masset, NDPERS Mr. Scott Miller, Attorney General's Office Ms. Connie Flanagan, RIO Mr. Steve Cochrane, RIO Ms. Leslie Thompson, Segal Mr. Howard Snortland, AFPE Mr. Weldee Baetsch, former Board Trustee Ms. Jody Buhr, NDPEA Ms. Gisele Thorson, NDPEA Mr. Bill Kalanek, AFPE

Chairman Strinden called the meeting to order at 8:30 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the July 18, 2005 meeting.

MR. LEINGANG MOVED APPROVAL OF THE July 18, 2005 NDPERS BOARD MINUTES. MS. SMITH SECONDED THE MOTION.

GROUP INSURANCE

Wellness Pilot Update (Informational)

Dr. Nancy Vogeltanz-Holm from UND appeared before the Board to provide an update on the Wellness Pilot Program. She indicated four sites had been selected and they are:

- √ Department of Commerce
- √ OMB
- √ Tax Department
- √ Historical Society

Meetings are set up with these agencies on September 5 and 7, 2005 to explain the program. Agencies have also been asked to complete a wellness questionnaire and they are compiling that data. She also indicated that it is expected that the wellness programs will begin in October 2005.

RETIREMENT

Normal Cost (Informational)

Ms. Leslie Thompson from Segal appeared before the Board to review their assessment of the difference between the GRS and Segal normal cost methods.

Segal found that in comparing the normal cost on the test life the present value of benefits pursuant to both methods were equal; the accrued liability was equal; and that the present value of the future normal costs was equal. She indicated there was no shifting between normal costs and accrued liability.

Segal found that to the extent a difference did occur it was due to the first year salary used to develop the temporary annuity. Segal uses actual first year salary. GRS uses actual first year salary with application of probability of death, disability or withdrawal.

Segal has a higher normal cost per shorter period. If employee terminates or is disabled early there is a slight gain because you have paid a little bit more. GRS method uses a lower normal cost for a longer period and if the same thing happens you could have a loss because you haven't paid fully for that amount.

After discussion it was suggested that Segal review a past actual valuation to determine which method most accurately reflected our past experience.

MR. GUNKEL MOVED APPROVAL TO GO FORWARD AND DO A LOOKBACK AND GET A HISTORY OF OUR EXPERIENCE OVER THE LAST FIVE OR TEN YEARS. MR. LEINGANG SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

Law Enforcement Transfer (Informational)

Mr. Collins presented a letter from the company of Gabriel, Roeder, Smith and Company relating to their audit of the Law Enforcement Plan stating the asset transfer method used when that plan was created was accurate and was conducted in accordance with generally accepted actuarial standards of practice. No further action is required.

Experience Study (Informational)

Ms. Leslie Thompson, Segal Company, presented a power point presentation concerning the experience study. She noted:

- A study is conducted every five years where they review the actual experience is compared/tested for each assumption to determine its continuing accuracy. Key assumptions are economic (investment return and salary scale) and demographics (what happens to people).
- Segal recommends changing the inflation assumption from 4.5% to 3-3.5%.
- No change is recommended in the salary assumptions.
- Segal recommends lowering the withdrawal rates.
- No change is suggested relating to disability.
- Segal recommends lowering the rates for Non-Rule of 85 retirements.
- Segal recommends setting back male mortality by one year for both pre and post retirement.

The next step will be to lay out the above recommendations and line them up against the actual audit recommendations. It was also noted that any changes made would be for the 2006 evaluation.

Annual Investment Review (Informational)

Mr. Cochrane, Retirement and Investment Office, reviewed the progress of the fund and its asset allocation. He reviewed the Statement of Investment Goals, objectives and policies and the performance report of the NDPERS funds. In addition, the performance of the Job Service Retirement Plan and Retiree Health plan was reviewed.

Mr. Sage also indicated the Investment Committee had met with Mr. Cochrane concerning the reallocation process due to the changes in asset allocation and that all questions were answered and no additional questions remained.

Highway Patrol Indexing (Board Action Requested)

It is necessary for the NDPERS Board to determine the rate to be used in establishing the index factor for deferred members of the Highway Patrol. It has been NDPERS policy to solicit input and recommendation from the Highway Patrol leadership. Staff indicated that it was their recommendation and the Highway Patrol's recommendation to set it at 4% based upon the action of the last legislature.

MS. TABOR MOVED THAT THE DEFERRED MEMBERS OF THE LEADERSHIP OF THE HIGHWAY PATROL HAVE THEIR FINAL AVERAGE SALARY INDEXED BY FOUR PERCENT. MR. GUNKEL SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

GROUP INSURANCE

Medicare Rx (Informational)

Mr. Collins reviewed the activity of the Medicare Rx retiree working group. He indicated the retiree group had reviewed many options but decided to focus on two. The first was to apply for the federal subsidy and the second was to enroll all the members in the BCBS Medicare prescription drug plan. The committee asked Segal to develop information relating to the subsidy and Blue Cross Blue Shield (BCBS) to develop some cost information relating to a prescription drug plan (PDP) with NDPERS duplicating the present coverage. The financial information supplied to the committee indicated that if NDPERS applied for the financial subsidy it could be eligible for about 1 million annually to subsidize premiums. However, if NDPERS participated in the prescription drug plan (PDP) its members could be eligible for 3 million in premium reductions.

After reviewing the above information, the retiree committee suggested to go the PDP route for 2006 and 2007. They also recommended NDPERS try and match its present plan as much as possible.

MR LEINGANG MOVED TO PROCEED WITH THE PDP ROUTE. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

Rx Network (Informational)

Mr. Collins reviewed a memo from BCBS indicating they are going with the Prime National Network effective December 1, 2005.

Life Administrative Agreement (Board Action Requested)

Ms. Allen appeared before the Board to review life administrative agreement from the Prudential Insurance Company of America. She indicated the document had been reviewed by Mr. Miller, legal counsel, and he had approved it as presented. Staff recommended approval of the administrative agreement.

MR LEINGANG MOVED TO APPROVE OF THE ADMINISTRATIVE AGREEMENT. MR. GUNKEL SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

Flu Shots (Informational)

Ms. Allen updated the Board regarding the current flu shot program for state employees this fall. The Board discussed offering this program again in conjunction with the Center for Family Medicine.

MS SMITH MOVED TO WORK WITH THE CENTER FOR FAMILY MEDICINE FOR THE FLU SHOT PROGRAM AND THAT WE WOULD FOLLOW THE APPROPRIATE COMMUNITY STANDARDS AS STATED. MS TABOR SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Tabor, Smith and Chairman Strinden
Nays: None

PASSED

EPO Enrollment Update (Informational)

EPO enrollment was conducted from May 23 through June 24, 2005. A breakdown of enrollment was presented. MedCenter and Primecare rejoined the EPO network. Both had excellent enrollment in their respective networks.

Medical Plan Update (Informational)

Mr. Reinhardt appeared before the Board to provide a medical plan update. He noted that generic drug use is up and overall costs increased about 6% from the 2003 report. A similar individual report was produced for the 35 groups with over 100 employees.

The total NDPERS group is quickly approaching \$200 per member, per month (per capita) in plan paid health care expenses.

FLEXCOMP

Plan Document Changes (Board Action Requested)

Ms. Allen appeared before the Board and indicated that staff recommended that we continue to monitor the developments relating to the regulations of Notice 2005-42 and not move forward until IRS has resolved the issues and provided definitive guidance with regard to implementation and administrations of these provisions.

Ms. Melanie Walker, Segal, also appeared before the Board and reviewed the outstanding questions that are yet to be resolved by the IRS. It was noted that these issues will not be resolved by the beginning of NDPERS open enrollment. After discussion it was suggested that NDPERS not modify its Plan Document or extend the "use it or lose period" until the IRS provides guidance on the outstanding issues.

MR GUNKEL MOVED THAT THE PLAN DOCUMENT CHANGES NOT GO FORWARD UNTIL THE ISSUES REGARDING THE REGULATIONS ARE RESOLVED. MS SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Smith and Chairman Strinden
Nays: None

PASSED

DEFERRED COMPENSATION

Provider Report – Kathy (Informational)

Ms. Allen appeared before the Board and advised the Board that she had not heard back from Chase Insurance concerning the contract amendment and the letter requesting a response. She indicated the time period for responding was August 25. Generally if no response is provided within the requested timeframe a provider loses their active provider status.

MR. LEINGANG MOVED TO HAVE STAFF GO FORWARD WITH THE LOSS OF ACTIVE PROVIDER STATUS WITH CHASE INSURANCE IF NO RESPONSE IS RECEIVED WITHIN THE REQUESTED TIMEFRAME. MS SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Smith and Chairman Strinden

Nays: None

PASSED

Plan Document Changes (Board Action Requested)

Ms. Allen reviewed with the Board proposed changes to the Deferred Compensation Plan Document. She indicated the changes revised the small benefit cash out provision in section 8.3 in the 457 plan and 9.3 in the Companion Plan. In addition, the provision allowing the distribution of these accounts at the discretion of the Board was changed to require participant consent before cash out.

The proposed changes also added a new provision, section 8.4(c) in 457 Plan and 9.4(c) in Companion Plan, that permits an in-service transfer to purchase service credit in a governmental defined benefit plan and added a new provision, section 9.8(d) in the 457 plan and 10.8(d) in the Companion Plan, that permits eligible rollover distributions from another eligible retirement plan.

MR GUNKEL MOVED APPROVAL OF THE AMENDED PLAN DOCUMENT CHANGES. MS SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Smith and Chairman Strinden

Nays: None

PASSED

MISCELLANEOUS

Quarterly Consultant Fees (Informational)

A report indicating the consulting, investment, and administrative fees paid during the quarter ending June 2005 was included with the board materials.

Next Board Meeting is scheduled for September 15, 2005.

Ms Smith conveyed she will not be in attendance.

NASRA

Mr. Collins indicated he had been elected to serve on the NASRA executive committee. This will involve participating in several board meetings during the year that are generally held on the weekends. NASRA will pay travel expenses if approved by the NDPERS Board.

MR GUNKEL MOVED THAT THE BOARD ALLOW MR COLLINS TO ACCEPT NASRA REIMBURSEMENT FOR ITS EXECUTIVE COMMITTEE MEETING. MS SMITH SECONDED THE MOTION.

NDPERS Board Meeting

August 18, 2005

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Ayes: Leingang, Gunkel, Sage, Smith and Chairman Strinden

Nays: None

PASSED

Salary Increase for NDPERS Executive Director

The Board discussed whether or not a 4% increase should be provided to the Executive Director.

MR. GUNKEL MOVED TO PASS A 4% WAGE INCREASE FOR THE NDPERS DIRECTOR. MR LEINGANG SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, and Chairman Strinden

Nays: Smith

PASSED

Special Board Meeting

Mr. Collins mentioned that a special board meeting date had been selected and it was October 26, 2005. Further discussion will be held regarding this meeting at the September meeting.

Mr. Gunkel's Retirement Announcement

The Board was informed that Mr. Gunkel will be retiring on 10-31-05. Mr. Sage, Mr. Leingang and Mr. Strinden volunteered to be on the election committee to seek a replacement.

Chairman Strinden called for any other business or comments. Hearing none, the meeting was adjourned at 12:00 p.m.

Prepared by,

Geri Frohlich
Administrative Assistant

Minutes
North Dakota Public Employees Retirement System
Thursday, September 15, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present:	Mr. Ron Leingang Mr. David Gunkel Mr. Howard Sage Ms. Sandi Tabor
Via Video Conference	Ms. Rosey Sand
Others Present:	Mr. Sparb Collins, Executive Director NDPERS Ms. Kim Humann, NDPERS Ms. Kathy Allen, NDPERS Mr. Bryan Reinhardt, NDPERS Ms. Deb Knudsen, NDPERS Ms. Sharmain Dschaak, NDPERS Ms. Rebecca Fricke, NDPERS Ms. Cheryle Masset, NDPERS Mr. Scott Miller, Attorney General's Office Mr. Howard Snortland, AFPE Mr. Bill Kalanek, AFPE/INDSEA Mr. Weldee Baetsch Ms. Onalee Sellheim, BCBSND Ms. Lorri Giddings, ND Pharmacy Association
Via Video Conference	Mr. Larry Brooks, BCBSND Dr. Jon Rice, BCBSND Ms. Cheryl Wigginton, BCBSND Ms. Sharmayne Smith, BCBSND Mr. Brad LaPorte, Health Dialog Mr. Al Pertuz, Health Dialog Mr. Brad Ramirez, Segal Company

Acting Chairman Tabor called the meeting to order at 8:25 a.m.

MINUTES

Acting Chairman Tabor called for any questions or comments regarding the minutes of the August 18, 2005 meeting.

MR. GUNKEL MOVED APPROVAL OF THE AUGUST 18, 2005 NDPERS BOARD MINUTES. MR. SAGE SECONDED THE MOTION.

GROUP INSURANCE

Disease Management (Informational)

Mr. Brad LaPorte and Mr. Al Pertuz, Health Dialog, joined the meeting via video conference and gave an overview of the Opportunity Analysis Summary Report and outreach plan for the NDPERS disease management program. A copy of the report is on file at the NDPERS office.

Medical Update (Informational)

Ms. Cheryl Wigginton, BCBSND reviewed the NDPERS Medical Management/Case Management activities from the calendar year 2003, 2004 and the first six months of 2005. Ms. Sharmayne Smith, BCBSND, reviewed the NDPERS Utilization Analysis data for NDPERS members for the years 2002 to 2004.

RETIREMENT

Return to Work (Board Action Requested)

Ms. Dschaak provided background information regarding a retired member who returned to NDPERS covered employment and was overpaid retirement benefits. Staff conveyed as more members are returning to work after retirement, overpayment of benefits is becoming more of an issue which has caused staff to reexamine the Administrative Rules and practices. Included with the board materials were the applicable state statute, rules and policies regarding returning to work and overpayment of benefits. Staff recommended the following:

- Staff proposed that in cases of overpayment of benefits as a result of returning work, due to a member not notifying NDPERS prior to returning to work that this would should be considered an omission as provided in subsection 4 of 71-02-04-10 (4).
- Staff proposed that a minimum payment and repayment period be determined. NDPERS does not have system capabilities to bill and track payments. These functions have to be performed manually. Plus, if the repayment period is for a considerable length of time the probability of the member retiring again or passing away is greater and would require either a recalculation benefits or make application to the member's estate.
- Staff recommended setting the minimum repayment amount at \$50 a month with the total repayment period not to exceed 36 months, unless otherwise approved by the executive director.
- In addition, it has also become apparent that the repayment provision in subsection 3 of 71-02-04-10 is not provided in subsection 4. "If repayment arrangements are not in place within sixty days of the date of the written notice of overpayment, the executive director shall offset the amount of the overpayment from the amount of future retirement benefit payments so that the actuarial equivalent of the overpayment is spread over the individual's benefit payment period." Staff proposed adding this amendment to the current rule drafting process to allow for offset of benefits if a member does not repay an overpayment.

Discussion followed.

MR. GUNKEL MOVED TO ADOPT STAFF'S RECOMMENDATION. MR. LEINGANG SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage and Tabor
Nays: None

PASSED

Normal Cost (Board Action Requested)

Mr. Brad Ramirez, The Segal Company, joined the meeting via video conference. Mr. Ramirez conveyed that Ms. Thompson was unable to join the meeting and he would be filling in for her. This issue is in follow-up to the presentation at the last meeting. This came up during the actuarial audit by GRS who noted the normal cost amount of Segal was higher than theirs. Segal has noted that both methods are acceptable and indicated the primary difference between the two methods is that the Segal method assumes that all members hired during the first year will remain employed whereas the GRS method applies assumptions to reflect that this may not be the case. Staff requested Segal to look back at the data over the last several years to see which method most closely reflects the NDPERS plan actual experience. Mr. Ramirez, The Segal Company, provided an overview of Segal's analysis. Based upon this assessment, staff believes that it would be appropriate to apply a turnover assumption to the normal cost portion as GRS does. This would more accurately reflect NDPERS situation and would not overstate the normal as the present may do. Staff recommended changing the normal cost method to that used by GRS. Discussion followed.

MR. SAGE MOVED TO ADOPT THE NORMAL COST METHOD USED BY GRS. MR. GUNKEL SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage and Tabor
Nays: None

PASSED

GROUP INSURANCE

Surplus/Affordability Update (Informational)

The July 2005 surplus projection and affordability analysis for the NDPERS group medical plan were included with the board materials.

DEFERRED COMPENSATION

Provider Company Update (Informational)

Ms. Allen indicated on August 26th, a certified letter was sent to Chase Insurance and ING notifying them that the loss of active provider status suspension was now in effect per the Board's action at its August meeting. ING indicated by written notice that it was willing to accept this suspension. To date, Chase had not responded to this notice. Ms. Allen conveyed a letter was sent to each active broker registered with Chase or ING notifying them that they may no longer enroll new participants in these products

Bank of North Dakota (Board Action Requested)

Ms. Allen indicated the office had not received a signed amended Provider Administrative Agreement from the Bank of North Dakota (BND) within the required deadline because the Bank sent the agreement to the Attorney General's office for review. Upon this review, BND's counsel indicated that the bank could not sign the agreement due to language contained in Section II-O of the agreement.

Mr. Miller, legal counsel, reviewed this and agreed that BND cannot sign an agreement with this provision. However, he further indicated that BND does have the authority to sign it if it identifies the funds from which the indemnification would come prior to signing the agreement, and if the agreement contains a non-appropriation clause. A non-appropriation clause would essentially void the indemnity if the Legislative Assembly failed to appropriate moneys for the indemnification. Ms. Allen noted that the BND has signed past agreements that have contained this provision

MR. LEINGANG MOVED FOR MR. MILLER, LEGAL COUNSEL, TO CONSULT WITH BND'S LEGAL COUNSEL TO DETERMINE IF THEY WOULD SIGN THE AGREEMENT IF IT INCLUDED A NON-APPROPRIATION CLAUSE. MR. SAGE SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage and Tabor

Nays: None

PASSED

Investments Quarterly Review (Informational)

Mr. Reinhardt reviewed the 457 Companion Plan & 401(a) Plan 2nd Quarter 2005 Reports with the Board. The reports were included in the board materials.

MISCELLANEOUS

Board Retreat (Board Action Requested)

At the August board meeting it was decided that October 26 worked for everyone to hold the special board meeting to review the goals and direction of the PERS programs. Included with the board materials were several options and locations for the meeting. Discussion followed. By general consensus, the Board recommended that the meeting be held in Bismarck due to the number of board members and staff that are located in Bismarck. Staff will make the arrangements for the all day meeting and will present a tentative agenda and location for the meeting at the next regular board meeting on October 20.

Administrative Rules (Board Action Requested)

Included with the board materials were the proposed rules to implement the legislation enacted this last year and changes to address other issues that have arisen since the last promulgation process. Discussion followed.

MR. SAGE MOVED TO APPROVE THE PROPOSED ADMINISTRATIVE RULES AND FOR STAFF TO CONDUCT A PUBLIC HEARING ON THE PROPOSED ADMINISTRATIVE RULES. MR. GUNKEL SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage and Tabor

Nays: None

PASSED

Special Board Election (Board Action Requested)

Ms. Allen conveyed due to Mr. Gunkel's retirement, it would be necessary to conduct a special board election. The individual elected will complete the current term which expires on June 30, 2009. According to §71-01-02-11 of the election rules, "Special elections must be conducted in accordance with the regular

election rules, except that the board will determine a new election schedule.” The following is the election schedule developed in compliance with Chapter 71-01-02, Election Rules:

2005 Election Schedule

- October 14, 2005 - Last date to publish election notice in newsletter
- November 4, , 2005 - Deadline to file nomination petitions
- November 11, 2005 - Last day for candidates to withdraw from election
- November 21, 2005 - Ballots are sent out to membership
(Week of the 21st)
- December 16, 2005 - Deadline to return ballots
- December 19, 2005 - Ballot canvassing
- December 22, 2005 - Presentation of results to Board/Notification to candidates

Based on the above schedule, the elected individual could begin his/her term on January 1, 2006. To meet the above schedule, it may be necessary for the Board to move the board meeting scheduled for December 15th to December 22nd, or to have a special meeting to validate the results. By general consensus, the Board approved the schedule with the understanding that the special meeting validating the election results would be held via conference call on December 22, 2005.

MR. SAGE MOVED TO APPROVE THE PROPOSED SPECIAL BOARD ELECTION SCHEDULE. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage and Tabor

Nays: None

PASSED

Audit Committee Minutes (Informational)

The May 18, 2005, Audit Committee Meeting Minutes were included in the board materials.

Conflict of Interest Policy (Board Action Requested)

Ms. Allen indicated the Audit Committee had requested that NDPERS develop a policy wherein its employees notify management of employment they may have outside NDPERS. The committee's main concern was that management should have a method to determine whether the type of outside employment an employee may be engaged in represents any conflict of interest with their employment at PERS. The following policy was developed and will be included in NDPERS Personnel Policy Manual:

It is your responsibility to notify your supervisor if you accept employment outside of NDPERS during your employment tenure. A new agreement must be completed annually. If there is a change in outside employment you must notify your supervisor immediately and a new agreement must be completed. If you terminate outside employment, you must notify your supervisor in writing of your change in status.

The above policy will be included in the Code of Ethical Responsibility statement which is provided to all new employees upon initial employment and to all current employees annually. A signed copy is retained in the employee's personnel file. A copy of the proposed Outside Employment Agreement form was included for the Board's information. During the 2005 performance review period this policy will be reviewed with each current employee and if anyone is engaged in outside employment, they will be required to complete the agreement form.

MR. LEINGANG MOVED APPROVAL OF THE CONFLICT OF INTEREST POLICY. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage and Tabor
Nays: None

PASSED

Financial Hardship 2005-008DC (Board Action Requested)

Ms. Allen indicated the participant was requesting a hardship withdrawal to cover credit card debt accrued due to out-of-pocket medical expenses incurred by a family member. Ms. Allen conveyed the participant had suspended their monthly deduction to their deferred compensation account. The application, income and expense statements of the participant along with copies of the member's credit card company statements and outstanding debt history were included for the Board's information. The Board reviewed the application and discussed the request. By general consensus, the Board recommended that staff request from the member additional documentation for the medical expenses and bring back to the Board for further consideration at the next meeting.

Appeal (Board Action Requested)

Included with the board materials were the administrative law judges recommended findings and recommended order, together with the proposed final order for signature relating to the appeal heard by the Board at the April 2005 meeting. Mr. Miller, legal counsel, indicated he thought the appropriate person to sign the Order should be the Chairman of Board rather than the Executive Director.

MR. GUNKEL MOVED TO ACCEPT THE ADMINISTRATIVE LAW JUDGES RECOMMENDED FINDINGS AND RECOMMENDED ORDER AND FOR THE CHAIRMAN OF THE BOARD TO SIGN THE ORDER. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage and Tabor
Nays: None

PASSED

OTHER

NDPERS Logo (Board Action Requested)

Mr. Collins conveyed he had received a request from the deferred compensation provider, Nationwide Retirement Solutions, to use the NDPERS logo on marketing materials. Discussion followed.

MR. SAGE MOVED FOR STAFF TO COMMUNICATE THAT THE BOARD DOES NOT AUTHORIZE THE USE OF THE NDPERS LOGO TO ANY OUTSIDE USERS. MR. LEINGANG SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage and Tabor
Nays: None

PASSED

November Board Meeting

Acting Chairman Tabor indicated that both she and Mr. Collins have a conflict with the scheduled board meeting date in November. Staff will send an email to Board members to check for other available dates they would be available in November.

Acting Chairman Tabor called for any other business or comments. Hearing none, the meeting was adjourned at 10:40 a.m.

Prepared by,

Kim Humann
Administrative Assistant

Minutes
North Dakota Public Employees Retirement System
Thursday, October 20, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Mr. Ron Leingang
Mr. David Gunkel
Ms. Arvy Smith

Via Conference Call: Chairman Strinden
Ms. Rosey Sand
Mr. Howard Sage
Ms. Sandi Tabor

Others Present: Mr. Sparb Collins, Executive Director NDPERS
Ms. Kim Humann, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Cheryle Masset, NDPERS
Ms. Diane Heck, NDPERS
Mr. Scott Miller, Attorney General's Office
Mr. Howard Snortland, AFPE
Mr. Dave Peske, ND Medical Association
Mr. Weldee Baetsch
Ms. Onalee Sellheim, BCBSND
Ms. Leslie Thompson, Segal Company
Mr. Brad Ramirez, Segal Company

Via Conference Call: Mr. Larry Brooks, BCBSND
Mr. Tom Christensen, BCBSND
Ms. Kamie Kueneman, Prime Therapeutics

Chairman Strinden called the meeting to order.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the September 15, 2005 meeting.

MS. TABOR MOVED APPROVAL OF THE SEPTEMBER 15, 2005 NDPERS BOARD MINUTES. MS. SAND SECONDED THE MOTION.

MISCELLANEOUS

National Update (Informational)

Ms. Cathie Eitelberg, Segal Company, Washington, DC office, joined the meeting via video conferencing and provided an overview of issues and trends at the national and state level regarding retirement and health employee benefits. A copy of her presentation is on file at the NDPERS office.

RETIREMENT

Actuarial Audit and Experience Study (Board Action Requested)

Mr. Collins indicated the Segal Company is continuing to work on the results for the Highway Patrol, National Guard and Judges Retirement systems. Mr. Collins conveyed the Board did not need to take action on this matter at this meeting and may want to defer action on this until all the results have been completed. By general consensus the Board agreed to defer this matter until the November or December 2005 board meeting.

Actuarial Reports (Informational)

Ms. Leslie Thompson and Mr. Brad Ramirez, Segal Company, appeared before the Board and gave an overview on the actuarial reports for the Main, Judges, National Guard, Law Enforcement, Highway Patrol and Job Service Retirement plans. The following are highlights of the overview:

- The Judges, National Guard and Job Service plans have positive contribution margins. Main, Law Enforcement with prior Main service, Law Enforcement without prior Main service and Highway Patrol plans have negative contribution margins.
- The funded ratio is above 100% for Judges, National Guard and Job Service but below 100% for Main, Retiree Health Insurance Credit Fund, Law Enforcement with prior Main Service, Law Enforcement without prior Main service and the Highway Patrol Fund.
- The ratio of the actuarial value of assets to the market value of assets for PERS and the Highway Patrol Retirement System combined has decreased. The market value exceeds the actuarial value.
- The Board adopted a change in the normal cost methodology, which decreased the employer cost rate.
- Other than the investment experience loss, there were no other significant gains or losses.
- Changes in assumptions based on the gain/loss analysis in the 2005 experience study, will be made with the July 1, 2006 valuation.
- For Main, Judges, Law Enforcement with prior Main service, Law Enforcement without prior Main service and Highway Patrol system, the normal cost is in excess of the statutory rate. This means these systems will be relying on an actuarial surplus for the statutory rates to cover the actuarial cost of the plan.

The following are highlights from the overview for the Job Service Retirement plan:

- Frozen plan, declining membership.
- Assets cover entire obligation.
- Positive margin on assets.

- Gains this year from salary increases.
- Gains this year from COLA.
- Losses from investment return.

Job Service (Board Action Requested)

According to Article VII(3) of the plan document for the Retirement Plan for Employees of Job Service North Dakota, "effective each December 1 of any year, the monthly amount of each retirement annuity, death benefit, or disability benefit then payable shall be increased by the percent increase, if any, in the Consumer Price Index." It further states..."no increase in retirement allowance granted under the Plan, or the date for commencement of such increase, will become effective unless the same increase has been authorized for the Civil Service Retirement System, and unless the increase has been authorized by the NDPERS Board."

Ms. Allen indicated this year the Federal Civil Service Plan would be providing an annual adjustment of 4.1%. Therefore, a 4.1% COLA increase was recommended for the Job Service retirees paid by NDPERS as well as for the Job Service retirees paid by The Travelers.

MS. TABOR MOVED TO ACCEPT THE CPI INFORMATION AND APPROVE THE COLA INCREASE FOR JOB SERVICE ANNUITANTS. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Strinden

Nays: None

PASSED

GROUP INSURANCE

Medicare RX (Informational)

Mr. Collins provided an update on the progress to date for the Medicare RX program. A meeting has been scheduled with the retiree group for November 3 to review information. Staff has also been in contact with Segal to put together the notices that will have to be sent to retirees by November 15, 2005.

Wellness Benefit (Board Action Requested)

Ms. Allen conveyed as staff has moved forward with the implementation of the Employer Based Wellness Program, they have received questions about available funding sources to assist employers with wellness programming activities. Included with the board materials was a summary of how the wellness benefit program functions and what the funds have been used for in the past. Ms. Allen indicated staff had received requests from employer groups inquiring whether wellness benefit funds would be available to reimburse the services of a Health Promotion Consultant. Health Promotion Consultants are individuals that participated in the Health Promotion Consultant Certification Training that was facilitated by the Cooper Institute coordinated by the Workforce Development Center at the University of North Dakota in Grand Forks. These individuals have the tools available to put together Wellness Plans for the participating employers. They could assist the employer to assess its wellness needs and to develop a Wellness Plan in order to address and meet those needs. Staff requested the Board to determine whether the Wellness Benefit Funds may be used to reimburse services incurred by Health Promotion Consultants or other similar consultant fees in conjunction with the Employer Based Wellness Program. Discussion followed.

MS. SMITH MOVED TO APPROVE THE USE OF WELLNESS BENEFIT FUNDS TO REIMBURSE SERVICES INCURRED BY A HEALTH PROMOTION CONSULTANT. MR. LEINGANG SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Tabor, Smith and Strinden

Nays: None

PASSED

Smoking Cessation (Informational)

Ms. Allen indicated the Notice of Grant Award for the smoking cessation program was issued by the North Dakota Department of Health to Blue Cross Blue Shield of North Dakota for the period September 9, 2005 through June 30, 2007. Therefore, PERS and BCBS may now promote the program to all state and university system employees.

Notice of the program was provided in conjunction with the PERS Annual Enrollment Season information via a post card mailed to employees' home addresses. The post card referenced the availability of this information from the PERS web site. In addition, BCBS will also have information on its web site and is developing other communication materials to include introductory postcards, colored posters for employer sites, and e-mail flyers that will be distributed periodically between now and December of 2006.

RX Update (Informational)

Effective December 1, 2005, Prime Therapeutics will implement the contractual rates and terms of the Prime Therapeutics National Network (Prime National) for BCBS members. As part of this transition, the current RxDakota Network will be terminated. Mr. Tom Christensen, BCBS Pharmacy Director, joined the meeting via conference call and provided an update on the progress to date for the implementation of the new pharmacy network. Discussion followed. Mr. Brooks, BCBS, conveyed they will provide an update on the new RX implementation at the November board meeting.

Also included with the board materials was a report from Prime Therapeutics. Ms. Kamie Kueneman, Prime Therapeutics, joined the meeting via conference call and briefly reviewed the quarterly updates and the report.

OPEB Report (Informational)

Due to technical difficulties experienced, Mr. Robinson, Gallagher Benefit Services, was not able to join the meeting via conference call or video conferencing, this item was be tabled until the November 22, 2005 meeting.

2003 Inpatient Comparison (Informational)

Included with the board materials was the 2003 comparison of NDPERS inpatient claims with the National Hospital Discharge Survey.

Surplus/Affordability Update (Informational)

The August 2005 surplus projection and affordability analysis for the NDPERS group medical plan were included with the board materials.

DEFERRED COMPENSATION

Financial Hardship 2005-008DC (Board Action Requested)

Ms. Allen conveyed this request was previously submitted to the Board at its September meeting. The Board requested the participant provide additional documentation to substantiate the medical expenses relating to the need for a hardship withdrawal. The participant requested a hardship withdrawal of the entire deferred compensation account balance to relieve financial obligations that have occurred as a result of unexpected medical expenses.

The participant submitted Explanation of Benefits and Quarterly Prescription Drug Summaries for 2003, 2004, and to date for 2005. The application and income and expense statement of the participant, along with the participant's additional written explanation of the current financial situation were included for the Board's information. The Board reviewed the application and discussed the request.

MR. GUNKEL MOVED TO APPROVE FINANCIAL HARDSHIP #2005-008DC. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Tabor and Strinden

Nays: None

PASSED

Agreement (Board Action Requested)

At the September meeting, the Board was notified that the Loss of Active Provider Status suspension was in effect for Chase Insurance. Ms. Allen indicated all the agent representatives listed with Chase were notified of this action. Since that meeting, Chase has submitted a signed Provider Administrative Agreement. However, before reinstating Chase as an active provider, staff identified some concerns with regard to the delivery of its semi-annual reports pursuant to Section II(C) of the agreement.

*The report must be submitted within thirty days of the end of each reporting period.
Failure to submit a report within thirty days of the end of a reporting period will result in the Retirement Board sending the Provider a letter advising the Provider that, if the Retirement Board does not receive the report within thirty days of the date of the letter, the Retirement Board will automatically suspend the Provider's eligibility to enroll new members until the first day of the month following the date the Retirement Board receives the report.*

Chase perpetually misses the 30-day reporting deadline. It has been necessary for staff to conduct follow-up by certified letters and phone calls to obtain this information. The difficulty is locating someone with authority or access to the system to provide the required report. Chase has changed the contact person four times so far in 2005. In addition, effective January 1, 2004, the reporting requirement was changed from semi-annual to quarterly, and changed to an electronic format. Chase has not complied with this requirement. Ms. Allen conveyed staff will begin enforcing this requirement for all providers starting with the last quarter of 2005.

Based on the above concerns, staff recommended that before Chase is reinstated to active provider status, they be required to respond to these issues and outline their plan to ensure compliance with the terms of the agreement in the future with regard to the reporting requirement.

MS. TABOR MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Tabor, Smith and Strinden

Nays: None

PASSED

MISCELLANEOUS

Board Planning Meeting (Informational)

Included with the board materials was the proposed agenda and meeting format for the Board planning meeting scheduled for Wednesday, October 26 at the Harold Schafer Leadership Center on the University of Mary campus. By general consensus, the Board approved the agenda and meeting format.

Employee Benefits Committee (Informational)

The next meeting of the Legislative Employee Benefits Committee is scheduled for October 25. Included with the board materials was the agenda for the October 25 meeting and the minutes from the last committee meeting in August.

Special Board Election (Board Action Requested)

Ms. Allen indicated previously the Board was presented with an election schedule in compliance with Chapter 71-01-02, Election rules. The previous deadline to file petitions was November 4, 2005 which means the newsletter must have been distributed by October 14, 2005 to comply with this section. Due to unforeseen circumstances that created delays both on the printing and distribution channels for the newsletter, it could not be distributed in compliance with this requirement. Therefore, based upon legal counsel's recommendation the following revised election schedule was developed for the Board's consideration:

2005 Election Schedule:

November 25, 2005	-	Deadline to file nomination petitions
December 2, 2005	-	Last day for candidates to withdraw from election
Week of December 19, 2005	-	Ballots are sent out to membership
January 13, 2006	-	Deadline to return ballots
January 17, 2006	-	Ballot canvassing
January 19, 2006	-	Presentation of results to Board

Based on the above schedule, the elected individual could begin his/her term on February 1, 2006.

MS. TABOR MOVED APPROVAL OF THE REVISED SPECIAL BOARD ELECTION SCHEDULE. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Tabor, Smith and Strinden

Nays: None

PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting was adjourned.

Prepared by,

Kim Humann
Administrative Assistant

Minutes
North Dakota Public Employees Retirement System
Wednesday, October 26, 2005
Harold Schafer Leadership Center
University of Mary Campus, Bismarck, ND
9:30 A.M.

Members Present: Chairman Strinden
Mr. David Gunkel
Mr. Ron Leingang
Ms. Rosey Sand
Ms. Arvy Smith
Mr. Howard Sage
Ms. Sandi Tabor

Others Present: Mr. Sparb Collins, Executive Director NDPERS
Ms. Kim Humann, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Scott Miller, Attorney General's Office
Mr. Weldee Baetsch

Chairman Strinden called the meeting to order at 9:45am.

HEALTH PLAN

Mr. Collins provided background information regarding the group health insurance plan which included: number of PERS health insurance contracts, current health insurance premium rates, comparison of PERS health plan rates versus other state employee health plans, health care premiums and cost trends, plan features, basic utilization equation by members and contracts, and active state renewal projected rates for 2007-2009. In summary, Mr. Collins indicated the following for the health plan:

- PERS plan has the lowest cost.
- Employee out of pocket level is decreasing.
- New programs coming on line.
- Plan continues to grow.
- Legislature wants to do something.
- National health plan coverage is decreasing.
- Costs will continue to rise.

Mr. Collins indicated the legislature is concerned about the level of benefits, cost and new ongoing costs for the group health insurance plan. Mr. Collins reviewed other options such as: High Deductible Health Plan (HDHP) Health Savings Accounts (HSA's), Voluntary Employee Benefit Accounts (VEBA's) and HRA's. Discussion followed. The Board indicated they would like to have a representative from the State of South Dakota come and present information on the HSA plan they implemented. Mr. Collins conveyed that Quality Care has also been receiving increased public attention.

NDPERS Board Meeting

October 26, 2005

Page 2

The current goals for the group health insurance plan were presented along with the progress on these goals. Discussion followed.

The Board would like to see further study on the following:

- 1) High Deductible Health Plan Health Savings Accounts and Voluntary Employee Benefit Accounts
- 2) Quality Care Issues
- 3) Education for Membership
 - Hypertext (BCBS)
 - Public Education Regarding Employee Benefits
- 4) Gain Sharing/Political Subdivisions

RETIREMENT PROGRAMS

Mr. Collins provided background information regarding the Defined Benefit Plans (Main System, Judges Retirement System, National Guard, Law Enforcement Plans, Highway Patrol and Job Service), Defined Contribution Plans and Retiree Health Credit and Administrative Services for Prior Judges, Oasis and Job Service Health Retiree Health Credit. In summary, Mr. Collins indicated the following for the Retirement programs:

- Above average multiplier.
- PERS has achieved their goal for multiplier.
- Sound funded status.
- Low contribution rate.
- Retiree increases have been provided but form has changed recently.

The current goals for the retirement programs were presented along with the progress on these goals. Discussion followed.

The Board would like to see further study on the following:

- 1) Purchases of Airtime
- 2) Interest on Member Accounts
- 3) Cost of Living Increases for Retirees

RETIREE HEALTH PROGRAM

Mr. Collins provided background information regarding Retiree Health Credit program. In summary, Mr. Collins indicated the following for the Retiree Health Credit plan:

- Retiree health plan is sound.
- Medicare retiree costs are decreasing.

The current goal for the Retiree Health Credit plan was presented along with the progress on this goal. Discussion followed:

The Board would like to see further study on the following:

- 1) Retiree Health Credit on Family Coverage
- 2) Retiree Health Credit Increase
- 3) VEBA

The meeting adjourned for lunch at 12:30pm and reconvened at 1:00pm.

PERS ADMINISTRATIVE ISSUES

Mr. Collins provided background information regarding administrative issues relevant to the programs administered by PERS. Mr. Collins indicated the following are program expansions that PERS staff has administered: Purchase Program, Pretax Purchases, New Sick Leave Purchase, USERRA, Mandatory Benefits Reviews, HIPAA, Medicare Rx, Deferred Compensation Contributions and People Soft. Mr. Collins conveyed staff feels behind all the time, they constantly seem to be rushing to implement the next effort, never able to go back to refine procedures and are concerned that this rush may cause problems. Mr. Collins indicated there is a company called CEM that provides performance benchmarking to retirement and health care plans. They provide independent, objective, and actionable information to plan sponsors and fiduciaries including: Performance Insights, Detailed Cost Analysis, Best Practices Benchmarking and Strategic Governance and Management Information. The focus of the analysis is to quantify and understand what drives the costs. They analyze the following 5 key factors: Total Volume, Service Levels, Work, Member to Staff Ratio and Complexity. Mr. Collins inquired if this was something the Board was interested in pursuing. Discussion followed. Mr. Collins will forward a copy of the State of Iowa's study report to Board members for review.

Mr. Collins indicated the mainframe for all the programs administered by PERS is out of date and has been patched together as new programs were added. ITD is moving it off the mainframe and programmers don't use the language anymore. The system is not integrated and can not support some activities. Staff relies on institutional memory to make it work. Mr. Collins inquired how the Board would like to proceed. Discussion followed. The Board recommended beginning discussions immediately with ITD on the RFP process for replacing the mainframe.

Mr. Collins indicated the state employee's compensation ratio is 96% according to Human Resource Management Services. Mr. Collins conveyed the PERS staff compensation ratio is 89%. Mr. Collins recommended trying to seek funds to move the PERS staff closer to the compensation ratio of 96%. Mr. Collins indicated he would like to continue to propose funding in the budget for this.

Mr. Collins conveyed Board education has been brought forward numerous times. Mr. Collins indicated there is a CAPPP program for retirement and health plans. There are also programs available on Portfolio Concepts and Management and Advanced Investments Management (SIB). Discussion followed. Ms. Tabor recommended developing a new board trustee education orientation program. Ms. Tabor and Ms. Sand volunteered to assist staff with the development of a new board trustee education orientation program.

Mr. Collins conveyed over the last couple of years there have been many changes to the PERS web site. Mr. Collins indicated information on the web site is now cataloged according to programs. Mr. Collins inquired if the Board felt staff should have someone come in and do an analysis of the web site. Ms. Tabor indicated the Attorney General's office has a Public Information officer (PIO) who may be of assistance on this. Ms. Smith also indicated the Health Department has a PIO on staff that may also be of assistance.

Discussion followed on educational topics for the monthly board meetings. Mr. Collins requested that Board members email him educational topics they would like to have presented at board meetings. Based upon the responses received, staff will bring the list back to the Board for further discussion. Ms. Sand conveyed she felt it would be beneficial to receive a copy of the State Investment Board minutes. Mr. Sage indicated he will contact Mr. Cochrane, RIO, to see if the State Investment Board agenda and minutes can be sent electronically to Board members.

The Board would like to see further study on the following:

NDPERS Board Meeting

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- 1) CEM Report from the State of Iowa
- 2) Mainframe
- 3) New Board Member/Trustee Education or Orientation

MEDICARE RX

Mr. Collins presented an update on the Medicare RX program. Mr. Collins indicated BCBS will provide additional information at the November board meeting.

Chairman Strinden called for any other business or comments. Hearing none, the meeting was adjourned at 2:10pm.

Prepared by,

Kim Humann
Administrative Assistant

MINUTES

North Dakota Public Employees Retirement System

**Tuesday, November 22, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.**

Members Present:	Mr. Ron Leingang Mr. Howard Sage Ms. Arvy Smith Ms. Sandi Tabor
Via Video Conference	Ms. Rosey Sand Chairman Jon Strinden
Others Present:	Mr. Sparb Collins, Executive Director, NDPERS Ms. Kim Humann, NDPERS Ms. Cheryl Stockert, NDPERS Ms. Kathy Allen, NDPERS Mr. Bryan Reinhardt, NDPERS Ms. Deb Knudsen, NDPERS Ms. Sharmain Dschaak, NDPERS Ms. Rebecca Fricke, NDPERS Ms. Cheryle Masset, NDPERS Ms. Diane Heck, NDPERS Ms. Sharon Schiermeister, NDPERS Mr. Scott Miller, Attorney General's Office Mr. Bill Kalanek, AFPE/INDSEA Ms. Jodee Buhr, NDPEA Mr. Weldee Baetsch Ms. Onalee Sellheim, BCBSND Mr. Howard Anderson, ND Pharmacy Association Mr. David Peske, ND Medical Association
Via Video Conference	Mr. Larry Brooks, BCBSND Mr. Kevin Schoenborn, BCBSND Mr. Gary Dauenhauer, BCBSND Mr. Mark Tschider, BCBSND Mr. Tom Christensen, BCBSND Ms. Sharmayne Smith, BCBSND Ms. Kamie Kueneman, Prime Therapeutics Ms. Leslie L. Thompson, Segal Mr. Bill Robinson, Gallagher Benefit Services

Chairman Jon Strinden called the meeting to order at 8:35 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the October 20, 2005 meeting.

THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE OCTOBER 20, 2005 NDPERS BOARD MINUTES. MS. TABOR SECONDED THE MOTION. THE MINUTES WERE APPROVED.

RETIREMENT

Disability (Board Action Requested)

Ms. Sharmain Dschaak stated that at the January 2005 meeting the Board heard an appeal relating to denial of disability benefits based on the applicant applying outside the 12 month application period and at that time the Board requested further investigation of the issue. Staff surveyed 128 systems regarding their application periods and found many systems have stricter application periods than NDPERS. Of the systems surveyed, many require disability applications prior to a member's termination of employment. Some systems have different criteria for occupational disability versus non-occupational disability.

MR. LEINGANG MOVED TO CONTINUE WITH THE CURRENT POLICY AND NOT MAKE ANY CHANGES TO THE CURRENT STATUTE. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Sage, Sand, Smith, Tabor, and Strinden

Nays: None

PASSED

Experience Study (Board Action Requested)

Mr. Collins stated that Segal recently completed work on our experience review. Ms. Leslie Thompson from Segal summarized information from their report. One of their recommendations was to set back one year on the healthy male mortality table for 2005. Segal provided the Board with the 2005 assumption changes with alternate normal cost method information.

MR. SAGE MOVED TO ACCEPT THE RECOMMENDATIONS FROM SEGAL ON THE EXPERIENCE STUDY. MS. TABOR SECONDED THE MOTION.

Ayes: Leingang, Sage, Sand, Tabor, and Strinden

Nays: None

Absent for Vote: Smith

PASSED

Part-Time Temporary Participation (Board Action Requested)

Mr. Collins stated this issue surfaced at the March meeting, at which time the Board requested staff prepare information regarding the participation of temporary employees in the retirement plans. Ms. Rebecca Fricke reported that effective July 1, 1989, the Board, through legislation, elected to allow participation of part-time/temporary employees in the Defined Benefit Plan. Legislation was passed this session (HB1069) to allow individuals that become part-time/temporary employees to continue their participation in this plan if they elect to do so. As of the end of September, 270 members are in this category. It was discussed that one option would be to not change the law, rules or policies that allow part-time/temporary employees to participate with no additional liability issues for the system. Another option would be to remove the opportunity for part-time/temporary employees to participate in the retiree health credit fund. Mr. Collins reiterated the fact the one of the issues relates to adverse selection to the retiree health plan. Ms. Sand stated that the purpose of our programs is to provide retirement opportunities to state employees. It was noted that temporary employees are a broad mix of individuals, such as full-time temporary or 25% or 50% temporary. A final option was discussed to establish a core number of hours and have an actuary look at this. Mr. Sage commented that the contributions by the highly paid employees exceed the amount of benefits they receive under retiree health credit, which covers the temporary employee benefits paid out. Mr. Leingang stated that we should treat temporary employees the same way we do permanent part-time employees within the system, where permanent part-time employees are required to work 20 or more hours per week, 20 days a year.

BY GENERAL CONSENSUS THE BOARD AGREED NOT TO CHANGE THE LAW, RULES OR POLICIES.

GROUP INSURANCE

District Health Units (Board Action Requested)

Ms. Cheryle Masset reported there are changes relating to district health units and the Board may want to revisit our current policy. The issue is that district health units are treated by NDPERS as state agencies relating to their participation in the group health plan. They receive the state rate (flat rate) rather than the rate for political subdivisions. However, unlike state agencies they are not required to participate in the NDPERS health plan, but can make an election to do so. Health districts are not treated as a state agency for purposes of the voluntary programs such as dental, vision, long term care, and the

employee assistance program. It was noted they seem to operate more like a political subdivision not a state agency and the question becomes why we differentiate the rates for them. The latest Letter Opinion 2004-L-05 by Attorney General Wayne Stenejhem stated “. . . but are instead officers of the health district, a separate political subdivision.” Mr. Scott Miller reiterated the fact that district health units have never been a state agency; they have always been a political subdivision. Staff provided the Board with several options to move forward regarding the treatment of health units/districts/departments. Recommendation 3 (suggested by staff) includes targeting a date as to when all health units/districts/departments would be transitioned to the political subdivision status and transferring them from the state premium rate structure to the political subdivision premium rate structure. Before implementing this change, NDPERS would communicate with the health units/districts/departments the intention to implement this change, solicit their comments and allow them an opportunity to appear before the Board if they desire to do so. After we have received the comments, the Board would make a final determination and decide on an implementation date.

MS. SAND MOVED TO ACCEPT RECOMMENDATION NUMBER 3 WITH A JANUARY 1, 2007 IMPLEMENTATION DATE. MS. TABOR SECONDED THE MOTION.

Ayes: Leingang, Sage, Sand, Smith, Tabor, and Strinden

Nays: None

PASSED

HIPAA Privacy Compliance (Informational)

Ms. Kathy Allen presented the Board with an update of PERS current status with regard to HIPAA compliance.

OPEB (Informational)

Mr. Bill Robinson presented the Board with a report from GBS relating to North Dakota's liability for retiree health benefits. The purpose of the actuarial analysis is to develop the expected plan liability and annual expense assuming implementation on July 1, 2005 and document actuarial assumptions and plan provisions. The plan they evaluated was the fully insured Dakota pre-Medicare retiree medical plan, including prescription drugs. They did not evaluate retiree life insurance plans. Two accounting rules affect NDPERS – Governmental Accounting Standards Board (GASB) Statement No. 43 and Statement 45. NDPERS is a Phase 1 government plan because we have annual revenues of over \$100,000,000 a year. Mr. Robinson reported that the Unit Cost method provides the most logical correlation between accruing and expensing of the retiree benefits. This is a snapshot and reflection of what the GASB 43 and 45 would be as of July 1, 2005 and gives the Board information regarding the future of NDPERS funds. Mr. Collins stated that he will share this report with the Office of Management and the Legislative Council.

Gallagher Benefit Services (Board Action Requested)

Mr. Collins indicated we received a letter from Bill Robinson (sent to the Board via e-mail yesterday) concerning a situation involving Gallagher Benefit Services. Specifically, we are being asked if we agree with a settlement provision, and if we do, we must sign a General Release to be reimbursed \$564.73. In doing so, we would give up any right to pursue our own claim against Gallagher to seek further punitive damages. The Attorney General in the state of New York has undertaken investigations focusing on several of the largest employee benefit consulting brokerage firms. Several of the firms were found guilty of some major disclosure failures. Gallagher was investigated by the Attorney General in Illinois. The AG did criticize Gallagher for not doing a good enough job disclosing to their clients the existence of overrides (which are commissions paid by carriers based on overall volume). The allocated amount of the distribution to eligible policyholders is \$26,962,500. We will have until December 31, 2005 to request a distribution from the Fund. The \$564.73 we are eligible for comes from our dealings with ING Reliastar and with BCBSND. Mr. Scott Miller stated he has reviewed the information and has forwarded it to the litigation division for their review. There is also a class action against Gallagher in the state of New Jersey. Mr. Robinson suspects it relates to the same issue, but does not know definitively. Mr. Miller stated that if we sign the Release, we may possibly take ourselves out of the class action suit. Chairman Strinden stated we do not have sufficient information regarding the class action in the state of New Jersey, consequently we will discuss this issue at a subsequent Board meeting. Mr. Collins stated we will include this issue on the December Board meeting agenda and have Mr. Miller report.

Medicare Rx (Board Action Requested)

Mr. Collins updated the Board on the implementation of the Medicare Rx program and also asks the Board to address an issue on the rating structure for one of the categories. Just to highlight one positive thing is that the rates will be approximately 20% lower for our retirees as of January 1, 2006. The plan design is almost identical to our present plan; however, the formulary will be slightly more restrictive than our present plan with 67% of the name brand drugs on the new plan versus the current 78%. The network of pharmacies that are in this program is smaller. In our Medicare rate categories, we currently have the single rate and the family rate. We also have a category that is a catchall category – one or more Medicare and one or more nonMedicare. That has been a single category and that may end up with one Medicare, one nonMedicare contract; two Medicare contracts. Now with the new rating structure in place, and the way that the subsidy works, if we continue to leave that category as a single category, we're not going to be able to optimize the funds that those members can get. We are suggesting we break that category down into four categories – Family One 1, Family One 2, Family One 3, and Family One 4. Members would save premium costs. If you approve these rates, BCBS can implement this immediately.

It was also discussed that in the next week a mailing explaining the Medicare Blue Rx will be going out to members. Mr. Larry Brooks stated that members that are enrolled with

Medicare in the current health plan will be automatically enrolled in the Group PDP. Because of that we have been informed by CMS, or Medicare, we must give members the option of opting out of PERS. Consequently, BCBS needed to develop an opt out letter along with a form. That mailing must go out next week on or before November 30, 2005. The member has 15 days to reply to BCBS before they automatically enroll. When NDPERS receives an opt out form from a member, we will follow-up with that individual by phone, just to make sure they understand the consequences of their decision (loss of their NDPERS Dakota Plan health coverage). It may be to the member's benefit to stay with the program if at all possible. Also included in the mailing will be the Medicare Blue Rx 2006 Summary of Benefits brochure. Mr. Collins stated that one of the areas that will cause some confusion is the members will be told their new rate is going to be X less any applicable retiree health credit. Approximately half of our retirees receive a health credit. BCBS will refer all members that have a qualifying retiree health credit directly to NDPERS. NDPERS will follow-up with these retirees again by phone.

There was some concern from Board members regarding the pharmacies participating in this program regarding how best to inform members. Mr. Brooks stated those participating pharmacies will change daily. BCBS can send a list out to members twice a year. If a member goes to a nonparticipating pharmacy, they will have to submit a separate claim. The nonparticipating pharmacy bills what they feel they need to for the drug and the member may end up paying more. BCBS wants to encourage members to use participating pharmacies and CMS encourages use of mail order if the member must get their prescriptions at the participating pharmacy rate. If a member purchases a nonformulary medication after January 1, 2006, the first time they go to the pharmacy it will be paid at a formulary rate and they will be told that this is a nonformulary drug and they have 30 days to switch to a formulary medication. The pharmacist should assist the member with this. Ms. Tabor asked if this plan includes the option for a member to call BCBS and request a drug that is not on the formulary list to be put on the list. She had reviewed many plans, and most include this provision. Ms. Kamie Kueneman stated she will have to check into this to get more information, but Mr. Brooks stated he didn't know why it would not be included.

MS. SAND MOVED TO APPROVE THE FOUR RATE OPTIONS TO MAXIMIZE THE FEDERAL MATCH AS WELL AS MAXIMIZE PREMIUM SAVINGS FOR THE MEMBERS. MR. SAGE SECONDED THE MOTION.

Ayes: Leingang, Sage, Sand, Smith, and Strinden

Nays: None

PASSED

Mr. Collins stated since we are in the implementation stage, if the Board approved, he would send a letter to the Medicare retiree committee thanking them for their efforts and give them an update as to where we are at and extend our appreciation for their ten months worth of work. By general consensus the Board approved.

Rx Network (Informational)

Mr. Collins reported he has received correspondence and phone calls from pharmacies regarding the Rx Network operated through Prime Therapeutics Medicare Network expressing frustration with the program. Mr. Collins will have the letters scanned and forwarded to the Board for their information. Mr. Brooks reported there are 30 pharmacies electing not to participate in the Prime Therapeutics Network. This affects 30,047 members across the state. NDPERS' total business, 10-12%, would equate to about 3,200 members. Thirty-seven pharmacies are currently undergoing further negotiations; about 112 pharmacies remain status quo. Negotiations are ongoing. Employer notification letters were mailed on Monday, November 14. Member letters were sent on Monday, November 21. We are hoping that the number of participating pharmacies will increase. Mail order is offered as part of your plan and continues to be an option for your members, so if they are located in an underserved area, this may be an option for them.

Mr. Collins stated that many pharmacies he has been in contact with feel there are no negotiations going on, that they are given a particular offer which they can either accept or reject. Mr. Christensen stated that based on the location of pharmacies and the distance of another pharmacy, there are different tiers of offers that are going out. The directive has been to remain fairly firm on these offers. Mr. Collins reported that a pharmacy located at the fringe of an urban area might be on a rural rate and can't get into the more urban rate. Mr. Brooks stated that higher rates are offered in the rural areas versus the urban areas. As we move closer to the transition date and even beyond that, negotiations will continue to go on, how much flexibility there will be is difficult to predict. The basis of the whole transition was to take a look at the marketplace, with the goal to bring our reimbursement rates more in line with the marketplace. BCBS stated their goal is to have all pharmacies on board. It may not occur on December 1, but that is their continuing goal.

Medical Review Report Update (Informational)

BCBS presented the Medical Review Report update, last updated November 8, 2005. Ms. Sharmayne Smith presented information on what changed, what significant issues were identified. One change was that the report is broken down into retirees and nonretirees.

Dental Plan (Board Action Requested)

Mr. Collins reported we received a letter from ING Reliastar and they are getting out of the dental insurance business. Effective December 31, 2006 they will not provide services to NDPERS on the dental insurance plan. Mr. Scott Miller indicated we will have to go out for bid again. To start that process, Mr. Collins asked the Board how they would like to proceed. The first step is for us to get a consultant on board as has been done in the past. The consultant will prepare the bid specifications, distribute those bids and analyze the bids. Our present group insurance consultant is Gallagher Benefit Services. We could go with them as part of that overall contract. If we were to go with Gallagher Benefit

Services, they would estimate it would cost around \$12,000, plus travel expenses. The second option would be to distribute a request for proposals to consultants to submit bids. Once we have a consultant, the first step would be preparation of the request for proposal, then interviews of the vendors. Open enrollment information will start in August, with the mailing going out in September. We are going to have a new vendor on by probably July, no later than August 2006. When we go to bid on the dental insurance plan, we will want it to go out to market for at least six weeks to allow an opportunity for vendors to reply as well. During the last bidding process, there were three providers who submitted bids.

BY GENERAL CONSENSUS THE BOARD REQUESTED SPARB REPORT TO THEM AT THE DECEMBER MEETING WITH THE AMOUNT OF THE LAST CONSULTANT EFFORT SO THEY CAN MAKE A DECISION REGARDING WHETHER TO HIRE GALLAGHER BENEFIT SERVICES, NDPERS PRESENT GROUP INSURANCE CONSULTANT, TO ASSIST WITH SECURING ANOTHER DENTAL INSURANCE PLAN PROVIDER.

Health Insurance Report (Informational)

Bryan Reinhardt presented the group medical plan surplus/affordability update to the Board. The projection for the 2003-2005 biennium shows an ending balance of \$15.2 million. The amount targeted for 2005-2007 buy down is \$14.3 million. The NDPERS surplus should finish very close to the required \$14.3 million.

DEFERRED COMPENSATION

Training Compliance (Board Action Requested)

Ms. Kathy Allen reported that staff conducted provider training sessions in June in Bismarck, Fargo, and Williston and in October in Bismarck, Minot, and Grand Forks. The meetings were well attended; however, there were several providers who did not satisfy the training requirements specified in the NDPERS administrative contract. On November 2, 2005 NDPERS sent letters to the home office contacts for each of the companies not in compliance with the contract, with a response requested by December 5, 2005. The Board will be updated at the December meeting. Because of the unique relationship with the Bank of North Dakota (BND), staff contacted them by phone to discuss its noncompliance. The Bank's authorized representative was not able to attend the required provider training session. BND's deferred compensation product is not a registered product such as a mutual fund or an annuity. The BND representative is not required to be licensed to service this product. In reviewing the Bank's agreement signed in 1998, it excluded language with reference to the licensing requirements. The amended contracts in 2001 and 2005 did not have this exclusion. Mr. Sage stated we excluded this provider in 1998 and it was the intent to exclude them from thereon.

MR. SAGE MOVED THAT WE EXCLUDE THE BANK OF NORTH DAKOTA FROM THE PROVIDER TRAINING AND LICENSING REQUIREMENTS. MS. TABOR SECONDED THE MOTION.

Ayes: Leingang, Sage, Sand, Tabor, and Strinden

Nays: None

Absent for Vote: Smith

PASSED

Chase Insurance (Board Action Requested)

Ms. Kathy Allen reported to the Board that Chase Insurance had been issued a Loss of Active Provider Status and is currently under suspension. Chase Insurance submitted a Provider Administrative Agreement, and since the last Board meeting has made a good faith effort to comply with the reporting requirements. Staff recommends Chase Insurance be reinstated. The Board raised the question regarding Chase's noncompliance with the training requirements and why would we reinstate Chase at this time when they are in noncompliance. It was suggested that it would be in PERS' best interest to wait to determine their compliance with the educational requirements before they are reinstated. Upon general consensus the Board decided to review Chase's compliance at the next Board meeting and take action at that time.

MISCELLANEOUS

Quarterly Consultant Fees

The Board was presented with a quarterly consultant fees report for the quarter ending September 30, 2005.

Personnel Policy Manual (Board Action Requested)

Ms. Kathy Allen stated that during the 2005 payroll audit, our internal audit division noted that several employees had recorded time off without pay because they did not have accrued leave benefits. The agency is not required to approve leave without pay unless there is written substantiation for the need to take more time off than is accrued. It was suggested that guidelines be written to address this issue because it is not clearly defined in our current personnel policies. Staff checked with other state agencies and it was determined that some employers have a policy that employees with a pattern of being consistently overdrawn on their annual and sick leave go from regular, full-time status to hourly status (payroll processing status). For regular full-time employees, monthly time reports are due to payroll the last working day of the month and employees are paid for all hours worked in the month, assuming accumulated leave is available for any time taken during the month. Supplemental payroll is not paid until the 10th day of the month for the previous month's hours which allows for payroll to adjust for any leave reported and the salary can be reduced accordingly for any unpaid leave. This is consistent with statute

because paying an employee a salary when there is no leave available could be considered an advance or a gift since the employee is being paid for something that has not been earned. In order to avoid administrative problems for payroll, the proposed policy also includes the requirements an employee must meet in order to be returned to the advanced payroll. The proposed changes deal with the fact if a medical need arises and the employee has exhausted accumulated sick leave, other options such as use of annual leave, comp time, leave of absence without pay, family medical leave, or being placed on the supplemental payroll will be reviewed with the employee's immediate supervisor. If an employee is placed on the supplemental payroll, the employee must accumulate 40 hours of combined leave before being returned to the advance payroll. The updated policy was distributed and discussed with staff and no comments or concerns were received. Mr. Leingang suggested that donated leave be added to the list of leave options that may be available. Ms. Sand suggested staff check with Tag Anderson relating to employees who are exempt versus nonexempt and the applicability of this policy.

MS. SAND MOVED TO ACCEPT THE UPDATED PERSONNEL POLICY PENDING TAG ANDERSON'S REVIEW. MR. LEINGANG SECONDED THE MOTION.

Ayes: Leingang, Sage, Sand, Smith, and Strinden.

Nays: None

Absent for Vote: Tabor

PASSED

2006 Board Meeting Dates

Mr. Collins stated we are asking for approval of the 2006 Board meeting dates. Generally, Board meetings occur on the third Thursday of the month. Upon approval of the meeting dates, we will file the information with the North Dakota Secretary of State.

MR. SAGE MOVED TO APPROVE THE 2006 BOARD MEETING DATES AS INDICATED. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Sage, Sand, Smith, and Strinden.

Nays: None

Absent for Vote: Tabor

PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:30 a.m.

Prepared by,

Cheryl Stockert
Secretary to the NDPERS Board

MINUTES

North Dakota Public Employees Retirement System

**Thursday, December 15, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.**

Members Present:	Mr. Ron Leingang Ms. Arvy Smith Ms. Sandi Tabor
Via Video Conference:	Ms. Rosey Sand
Members Absent:	Mr. Howard Sage Chairman Jon Strinden
Others Present:	Mr. Sparb Collins, Executive Director, NDPERS Ms. Kim Humann, NDPERS Ms. Cheryl Stockert, NDPERS Ms. Kathy Allen, NDPERS Mr. Bryan Reinhardt, NDPERS Ms. Deb Knudsen, NDPERS Ms. Sharon Schiermeister, NDPERS Ms. Jamie Kinsella, NDPERS Mr. Leon Heick, NDPERS Mr. Scott Miller, Attorney General's Office Mr. Bill Kalanek, AFPE/INDSEA Ms. Gisele Thorson, NDPEA Mr. David Peske, ND Medical Association Mr. Aaron Ness, Eide Bailly Ms. Patricia Hill, ND Pharmacists Association Ms. Nancy Kopp, ND Optometric Association
Via Video Conference:	Mr. Larry Brooks, BCBSND Mr. Kevin Schoenborn, BCBSND Mr. Gary Dauenhauer, BCBSND Mr. Mark Tschider, BCBSND Mr. Tom Christensen, BCBSND Ms. Cindy Fischer, BCBSND Ms. Kamie Kueneman, Prime Therapeutics Mr. Karl Froese, Prime Therapeutics (phone) Mr. David Lassen, Prime Therapeutics (phone) Mr. Craig Mattson, Prime Therapeutics (phone)

Chair Sandi Tabor called the meeting to order at 8:35 a.m.

MINUTES (Board Action Requested)

Chair Tabor called for any questions or comments regarding the minutes of the October 26, 2005 planning meeting and the November 22, 2005 Board meeting.

THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE OCTOBER 26, 2005 PLANNING MEETING AND NOVEMBER 22, 2005 NDPERS BOARD MINUTES. MS. SMITH SECONDED THE MOTION. THE MINUTES WERE APPROVED.

AUDIT REPORT

Mr. Ness from Eide Bailly reviewed the audit report of the ND Public Employees Retirement System. They audited the financial statement of the business-type activities and fiduciary funds of NDPERS. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. The Board questioned whether SAMIS should now be referenced as PeopleSoft in this report as this is the software used by the state of North Dakota for accounting purposes (refer to page 53 of the Report). Mr. Ness stated it was a pleasure working with NDPERS.

IT PROJECT (Board Action Requested)

Mr. Collins stated that PERS staff has met with ITD regarding the conversion of the current outdated mainframe system. PERS is at the point where we need to hire a firm to assist us in taking a look at the feasibility of this project, assist us in hiring a vendor, provide project management, and stay on through to the completion of the project. The firm we hire is an important initial step. To assist in the selection process of this firm, it was suggested that we retain a consultant to provide technical expertise in preparing the scope of work, soliciting firms, evaluating the responses and doing background research on candidate firms. Staff indicated that if this approach was acceptable, an RFP would be issued to the list of ITD approved consultants. Staff also asked for approval to retain the consultant based on staff review.

MS. SMITH MOVED TO PROCEED AS RECOMMENDED BY STAFF. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Sand, Smith, Tabor.

Nays: None

PASSED

RETIREMENT

Fiduciary Review

Mr. Miller presented the Board with information entitled "Fiduciary Responsibility, A Matter of Trust", based on the Board's request at the planning meeting on October 26, 2005. The Board, acting as trustees, is responsible to the fund's beneficiaries. A trustee's responsibility is the highest standard of duty implied by law. Mr. Miller distributed a fact sheet from the Attorney General's Office regarding Liability of State Employees. The Constitutionality of Benefit Changes information will be presented at the January Board meeting.

Job Service (Board Action Requested)

Chair Tabor stated the Investment Committee recommended that Steve Cochrane from RIO and Paul Erlendson from Callan present information to the Board at the January and February meetings regarding the fact that 20% of the Job Service retirement asset fund is invested in timberland.

MS. SAND MOVED TO APPROVE THE RECOMMENDATION BY STAFF THAT STAFF FROM THE RETIREMENT AND INVESTMENT OFFICE AND CALLAN PRESENT TO THE BOARD AT THE JANUARY AND FEBRUARY MEETINGS REGARDING THE JOB SERVICE PORTFOLIO. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Sand, Smith, Tabor

Nayes: None

PASSED

Asset/Liability Study (Board Action Requested)

Mr. Collins reported that last summer SEI reviewed an asset/liability report for PERS with the Board. The Investment Subcommittee discussed this report at the last meeting. SEI recommended we maintain our existing asset allocation, but their study recommends the capital market assumptions be updated. The investment policies were updated accordingly.

MR. LEINGANG MOVED TO ACCEPT THE RECOMMENDATION THAT WE MAINTAIN OUR EXISTING ASSET ALLOCATION AND REVISE OUR CAPITAL MARKET ASSUMPTIONS. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Sand, Smith, Tabor

Nayes: None

PASSED

Investment Policies (Board Action Requested)

Mr. Collins stated the PERS Investment Subcommittee, along with Steve and Connie from the RIO staff, have updated the Investment Policies and is submitting them to the Board for approval. Mr. Collins reviewed with the Board the changes, including those found on page 5 relating to timberland. Mr. Miller stated the timberland investment has done well. Ms. Sand reiterated the fact this is a very difficult asset to own because it is not liquid. Mr. Collins went on to explain that many of the changes to the investment policies were made to be in line with the standard format used by the Retirement and Investment Office policies.

MR. LEINGANG MOVED TO APPROVE THE RECOMMENDED CHANGES TO THE INVESTMENT POLICIES. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Sand, Smith, Tabor.

Nayes: None

PASSED

Thirteenth Check

Mr. Collins stated the retirees will be receiving the thirteenth check in January. The half of the thirteenth check is calculated based on the June benefit pursuant to statute.

GROUP INSURANCE

Gallagher Benefit Services (Board Action Requested)

Mr. Miller has not heard back from Doug Bahr with the Attorney General's Office Civil Litigation Division. It was recommended by Mr. Miller that we not sign the release as it is currently written and not accept the settlement because we do not have sufficient information regarding this litigation.

MS. SAND MOVED TO ACCEPT THE RECOMMENDATION OF THE ATTORNEY TO NOT SIGN THE RELEASE TO RECEIVE THE SETTLEMENT. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Sand, Smith, Tabor.

Nayes: None

PASSED

Gallagher Benefit Services Health Trends

It was noted the report "GBS Actuarial Consensus Trend Forecast, October 2005" was included in the Board materials. This report is a summary of their research and findings regarding medical trends.

RX Network Transition

Mr. Collins indicated that the transition date has been moved from December 1, 2005 to January 1, 2006. Mr. Larry Brooks, BCBSND, reported that after the notification letter was sent to employers and those members incurring services at a nonparticipating pharmacy, BCBS has reconsidered their plan to implement the national network and extend it to January 1, 2006. This allows time to better inform members and work with pharmacies. BCBS indicated they have sent out 60 new offers to pharmacies that are deemed rural pharmacies. As of December 14, they received 7 signed new contracts. Five of these signed onto Medicare Part D as well. BCBSND indicated they are continuing negotiations with pharmacies.

Medicare Rx Implementation

Mr. Brooks stated that opt out letters were mailed on November 30. As of December 14 there were 4 people who elected to opt out. The next step is for BCBSND to create the enrollment file to send out to CMS for auto-enrollment. Once the auto-enrollment process is completed by CMS, members will receive the material they need to begin utilizing their Part D benefits, including new Medicare Part D ID cards. At the same time, internally, changes are being made to the Dakota Retiree Plan to remove prescription drug coverage. All of these tasks need to be done by December 31, 2005 which is going to be a challenge. Mr. Brooks went on to explain that he was notified yesterday that CMS is looking at contingency plans in case ID cards and other notices don't occur by December 31.

Mr. Collins asked if there are some rough estimates of the number of pharmacies in the Rx network. BCBS stated approximately 125 are in the national network and about 98 in the Medicare network. Mr. Collins asked about the formulary and what is the process if you are taking a drug not on formulary. Mr. Brooks stated this is covered in the Summary of Benefits on page 2, which outlines the appeals process. Prime Therapeutics responded that for standard coverage determination requests, they are reviewed within 72 hours. For expedited requests, they are reviewed within 24 hours. Upon reviewing the request and making a decision, they will respond to both the enrollee and the physician in writing as well as an outbound call to the enrollee. In the written responses, they will provide the appeal rights to the next level. For standard requests for appeal, they will be completed within 7 calendar days; if they are expedited, 72 hours. Go to www.yourmedicareolutions.com to obtain information regarding the drug formulary.

Mr. Collins asked what drugs would not be on the three tiers. Excluded drugs might include weight loss products, infertility drugs, or certain barbiturates. In general, there are few medications that are not covered.

Mr. Collins asked if there were any drugs that were covered under the three tiers we presently have that will not be covered under the three tiers on January 1. He requested BCBSND to respond back with this information so we can communicate this information to our members. Mr. Brooks indicated he would provide PERS with this information.

Ms. Sand received a letter from a member who said the pharmacy reimbursement was 50% less in Medicare Part D than Medicare. Mr. Brooks confirmed rates are lower and the reason the rates are lower is this is a nationally competitive program.

Dental Plan (Board Action Requested)

Mr. Collins stated, per the Board's request at the last Board meeting, staff researched what the total consulting fees we paid on the last bid for the dental plan. We paid Segal a fixed fee of \$29,500 in 2002 for the dental, vision and long term care RFP's. Since the last meeting, it was noted that our work plan calls for review of the long term care product. Staff is suggesting that we consider going out for bid on the long term care plan at the same time we go out for bid on the dental plan. Currently, PERS has about 3,000 enrolled in the dental plan. The long term care plan has about 50 enrolled, but the product has changed and evolved over the last few years, so it's time to look at a different type of product and different type of marketing approach.

MR. LEINGANG MOVED THAT NDPERS DO A REQUEST FOR PROPOSAL FOR BOTH THE DENTAL PLAN AND THE LONG TERM CARE PLAN. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Leingang, Sand, Smith, Tabor.

Nayes: None

PASSED

The next question was if we should have our existing consultant do the work or bid it out.

MS. SMITH MOVED THAT NDPERS DEVELOP A REQUEST FOR PROPOSAL FOR A CONSULTANT FOR BOTH THE DENTAL PLAN AND THE LONG TERM CARE PLAN. THE MOTION WAS SECONDED BY MR. LEINGANG.

Ayes: Leingang, Sand, Smith, Tabor.

Nayes: None

PASSED

Diabetes Eye Exams (Board Action Requested)

Chair Tabor stated that BCBSND has modified the benefit relating to diabetes eye exams and is proposing to pay diabetes eye exams at the in-network level for EPO services effective January 1, 2006. BCBS noted this change would not affect the PERS premium if approved.

MS. SMITH MOVED THAT WE APPROVE THIS CHANGE WHICH WILL TAKE EFFECT JANUARY 1, 2006. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Sand, Smith, Tabor.

Nayes: None

PASSED

DEFERRED COMPENSATION

Training Compliance (Board Action Requested)

Chair Tabor stated that the Board must take action relating to reinstating Chase Insurance to the active provider status effective January 1, 2006. Ms. Allen reported that since the last Board meeting in November, Chase has come into compliance with the educational requirements.

MS. SAND MOVED THAT WE REINSTATE CHASE INSURANCE TO ACTIVE STATUS EFFECTIVE JANUARY 1, 2006. MR. LEINGANG SECONDED THE MOTION.

Ayes: Leingang, Sand, Smith, Tabor.

Nayes: None

PASSED

Chair Tabor indicated the Board must take action relative to Equitable and the fact they are out of compliance. Ms. Allen stated that since the last Board meeting in November, all the companies that were not in compliance with the training requirement have responded with the exception of AXA Equitable. Staff recommendation is that we notify Equitable that the Board found them out of compliance and that at its January meeting will consider taking action to implement a loss of provider status pursuant to our administrative rules. Ms. Allen stated Equitable was in the same situation last year, and after staff did follow-up they did come into compliance.

MR. LEINGANG MOVED TO PROVIDE EQUITABLE WITH A NOTICE TO RESPOND TO THE BOARD AS TO WHY THEY ARE CONSISTENTLY IN NONCOMPLIANCE AND WHAT ACTION THEY ARE GOING TO TAKE TO COMPLY WITH THE RULES IN THE FUTURE. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Leingang, Sand, Smith, Tabor.

Nays: None

PASSED

Third Quarter Investment Report

Mr. Reinhardt reported on the third quarter 457 Companion Plan and 401(a) Plan. Assets in the 401(a) plan increased to over \$13.8 million as of September 30, 2005. The number participating in this plan is 297 and the largest fund is the Fidelity Managed Income Portfolio with 19% of the assets. Assets in the 457 Companion Plan increased to about \$15.9 million as of September 30, 2005. This is a 31% increase up from \$12.1 million. The number of participants dropped from 1,319 to 1,061. The largest fund is the Spartan U.S. Equity Index with 12% of the assets. Approximately 9% of the assets are in the Fidelity and VALIC cash accounts.

MISCELLANEOUS

Planning Meeting

The Board discussed the 2006 calendar with the monthly educational topics and the question was raised when legislation would be discussed. Mr. Collins indicated that legislation will be discussed in March. It was suggested that the topic of Airtime Review should be moved to the March meeting in case legislation needs to be proposed.

Chair Tabor stated that the June 15, 2006 meeting is right in the middle of the State Bar Association annual meeting which many Board members will be attending and requested staff change the meeting date. Staff will change the date of this meeting.

BY GENERAL CONSENSUS, THE BOARD APPROVED THE TIMELINE FOR THE MONTHLY TOPICS THAT WERE REQUESTED AT THE PLANNING MEETING (WITH THE TOPIC OF AIRTIME REVIEW MOVED FROM APRIL TO MARCH).

Public Hearing on Rulemaking (Board Action Requested)

Ms. Knudsen presented information relating to the November 29, 2005 administrative rules hearing. No written comments were received regarding the proposed rules.

MS. SAND MOVED THAT THE RULES BE SUBMITTED TO THE ATTORNEY GENERAL'S OFFICE FOR REVIEW AND APPROVAL. SUBJECT TO ATTORNEY GENERAL'S APPROVAL, THE RULES ARE TO BE SUBMITTED TO THE LEGISLATIVE COUNCIL FOR FINAL PROMULGATION. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Leingang, Sand, Smith, Tabor

Nayes: None

PASSED

Election Update

An election update was provided to the Board. There are four nominees and the election results will be presented to the Board at their January 19, 2006 meeting.

Retiree Seminar (Board Action Requested)

Chair Tabor stated staff is looking for the Board's approval to hold a one-day retiree seminar in Medora this summer with a tentative date of Tuesday, August 15, 2006. The seminar will be for retirees only. Mr. Collins stated this idea was from our strategic plan and recognized that we do not often sponsor educational events for retirees.

MR. LEINGANG MOVED THAT PERS SPONSOR A ONE-DAY RETIREE SEMINAR IN MEDORA, NORTH DAKOTA, THIS SUMMER. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Sand, Smith, Tabor

Nayes: None

PASSED

Audit Committee Minutes

The Board reviewed the August 24, 2005 Audit Committee Minutes which were presented for their information only.

Audit Committee Internal Audit Charter (Board Action Requested)

Chair Tabor stated the Internal Audit Charter Revision was approved by the Internal Audit Committee and is being offered for approval by the PERS Board. It was noted that the charter was last reviewed and approved by the PERS Board in June 1994.

MS. SMITH MOVED TO APPROVE THE REVISED NDPERS INTERNAL AUDIT POLICY, REVISED AS OF SEPTEMBER 1, 2005. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Sand, Smith, Tabor

Nayes: None

PASSED

State Investment Board (SIB)

Chair Tabor stated the information in the Board book from the State Investment Board is pursuant to the planning meeting request that the Board obtain the monthly SIB agendas. SIB does not have a December meeting, so the November agenda along with the October minutes was included. Mr. Collins stated that in the future we will e-mail Board members the SIB agenda when we receive it from the SIB. The next SIB meeting is scheduled for January 20.

NDPERS Benefits Committee

The minutes from the December 6, 2005 NDPERS Benefits Committee were presented to the Board for their information.

OTHER ITEMS

Flexcomp

Mr. Collins stated that we previously considered the issue of the IRS authorizing an extension of time of 2 ½ months to file flex claims, but we deferred action until clarification was received on some tax reporting issues. The clarifications we received were positive. We will bring the information to the Board in January. Staff didn't believe PERS would be able to implement the extension this year. The only way to accomplish the extension this year would have been to manually alter and back date the claims in the system. Staff is not suggesting we do that at this point. Instead, staff would just as soon make the proper changes in the proper process and do it next year.

Health Districts

Chair Tabor indicated PERS received a letter from the ND Local Health Administrators yesterday. The letter was distributed to the Board. Mr. Collins stated, as previously discussed at the November 22, Board meeting, PERS would be seeking input from the Health Units in January and inviting them to the February Board meeting. However, it was noted several health administrators have contacted their legislators. Consequently when Mr. Collins and Ms. Smith attended the legislative Budget Committee on Human Services meeting. They were asked to clarify where the Board was going with this issue. Mr. Collins stated that several legislators asked that PERS consider making any change effective in July 2007 rather than January so that if the legislature wants to look at this issue they can.

Flu Shots

Mr. Brooks stated that a decision was recently made by BCBS, on the same order as the diabetes eye exam, to pay for flu shots at the in-network level for EPO services effective January 1, 2006. Mr. Brooks said that if PERS approved this change it would have no effect on premiums.

MS. SMITH MOVED TO INCLUDE THE FLU SHOTS ALONG WITH THE DIABETES EYE EXAMS AT THE IN-NETWORK LEVEL EFFECTIVE JANUARY 1, 2006. MR. LEINGANG SECONDED THE MOTION.

Ayes: Leingang, Sand, Smith, Tabor.

Nayes: None

PASSED

Chair Tabor called for any other business or comments. Hearing none, the meeting adjourned at 10:55 a.m.

Prepared by,

Cheryl Stockert
Secretary to the NDPERS Board